THE EMPIRE CLUB OF CANADA

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Addresses
2014–2015

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Her Majesty Queen Elizabeth II
Queen of Canada
wearing Her Canadian insignia
as Sovereign of the Order of Canada
and the Order of Military Merit

THE
EMPIRE
CLUB
OF CANADA

Founded 1903

Addresses
2014–2015

GOD SAVE THE QUEEN

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Andra Wood
President, 2014-2015

THE EMPIRE CLUB OF CANADA PRESIDENT'S FOREWORD

If Hillary Clinton was right that it takes a village to raise a child, then it is equally true that it takes a committed executive team, a strong board, and loyal Past Presidents to make a good Empire Club season. I was very privileged to serve as the Club's president at a time when we had all three.

Together, we struck the right balance between celebrating the Club's rich and storied past, while maintaining its relevance to contemporary Canadian society.

Together, we attracted a diverse and talented group of speakers who offered conversations that mattered to our audiences.

And together, we maintained the Club's reputation as Canada's premier speaker's club of record.

This book is evidence of the strength of the speakers we featured and the relevance of the topics they addressed. Our members and guests were treated to speeches from a diverse group of extraordinary individuals, including tech titans Eric Schmidt, then the Executive Chair of Google, and Jim Balsillie, giving his first significant address following his departure from what was then Research in Motion. We also heard from two bank CEOs about the impact of technological disruption on the financial services sector. We featured several politicians and hosted a debate among Toronto's mayoral candidates. In addition, we were honored to host both the Governor General of Canada and the Lieutenant Governor of Ontario.

Although all of the speeches were exceptional, the most memorable moments are not captured in these pages. A high point for me, for example, was my conversation with Hina Rabbani Khar. Ms. Rabbani Khar had served as Pakistan's Foreign Minister from 2011 to 2013 and she was both the youngest person to serve in that role and the first woman. She is an inspiring woman and I am very grateful to have had an opportunity to meet her.

A low point involved the late Rob Ford, who was then campaigning for re-election as mayor of Toronto. Ford advised us that he had changed his mind about participating in the Mayoral Debate the very morning of the debate. We were told that he had decided not to participate because the Club was an "elitist institution", a conclusion he had shared with media. Mayor Ford's abrupt and public decision forced me to defend the Club in my first ever media scrum!

I am very proud of what we accomplished during the Club's 111th season and am grateful to many individuals for the support and encouragement they provided throughout the year. In particular, I would like to thank Jehan Karsan and Taylor Reid who, as General Manager and Office and Event Coordinator for the Club respectively, worked tirelessly behind the scenes to ensure that the events all ran smoothly.

I would also like to thank our exceptional board. While I owe each of our directors a debt of gratitude, I particularly want to thank Gordon McIvor, who led the critically important Speakers' Committee and who wrote the weekly blogs that will rightly appear in this Red Book alongside our speakers' speeches.

A number of past presidents attended our lunches religiously and provided guidance during the year, including Noble Chummar who, as my immediate predecessor, was an incredible role model and Catherine Charlton who provided the precedent on which we modeled our new, inclusive grace. Thanks to each of them.

And last but most certainly not least, I am grateful to my husband, Peter Cavanagh, and our daughters, Madeleine and Eve, for forgiving me for spreading myself even thinner than I would normally do as a working mother and wife.

In fact, as I type these acknowledgements, I am even more aware than ever of the richness of the experience I had serving for a year as the Club's President. The Club has given me an opportunity to work with a wide range of gifted and dedicated people. For this, I am most grateful. I am confident that the Club's future will be as storied and rich as its past and I look forward to continuing to help to build that future.

Andrea Wood
Toronto, July 2018

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The Empire Club Presents

HINA RABBANI KHAR
ECONOMIST AND 26TH FOREIGN MINISTER, PAKISTAN
REALIZING SOUTH ASIA'S POTENTIAL BEYOND CONFLICT: PERSPECTIVES FROM PAKISTAN

September 10, 2014

HEAD TABLE:

Distinguished Guest Speaker:

Ms. Hina Rabbani Khar, Economist & 26th Foreign Minister, Pakistan

Guests:

Major, The Rev. Micheal Allen, Chaplain CFB Borden

Mr. Pierre Cyr, Director of Operations, Office of the Premier of Ontario, Director, Empire Club of Canada

Ms. Barbara Jesson, President & CEO, Jesson + Company Communications Inc.; Director, Empire Club of Canada

Mr. Frank Scremin, President & CEO, Hamilton International Airport

Ms. Andrea Wood, Senior Vice President, Legal Services, TELUS; President, Empire Club of Canada

Welcome Address by Andrea Wood, Senior Vice President, Legal Services, TELUS; President, Empire Club of Canada

It is now my distinct pleasure to welcome Mehreen Javaid from the Canada Pakistan Chamber of Commerce to introduce our guest speaker today.

Introduction by Mehreen Javaid, President, Canada-Pakistan Chamber of Commerce

Thank you for the introduction. Good evening, ladies and gentlemen. Before I invite Hina, I would like to thank each one of you for being here tonight. I want to thank a few of our guests, especially, Honourable Greg Sorbara, who is the Chancellor of York University, for being here. Thank you very much. Also, the Counsel General of India is here today. Thank you for being here. The Consul General of Pakistan and the Honourable Reza Moridi. I believe I saw Honourable Shafiq Qaadri here. Thank you very much for being here.

Ms. Hina Rabbani Khar has served as Minister of State for Economic Affairs for three years and a Minister of State for Finance and Economic Affairs for another two years. During these years, she was the lead person in Pakistan's economic diplomacy, both bilateral and multilateral. She successfully conducted four Pakistan development forums and the third World Islamic Economic Forum.

Hina graduated with a B.Sc., Honours, in Economics from the prestigious Lahore University of Management Sciences and Embassy Honours in Business Management from the University of Massachusetts.

For the first time, Hina was elected as a member of the National Assembly from District Muzaffargarh in Southern Punjab in 2002. She served as a Parliamentary Secretary for

Economic Affairs Division from 2003 to 2005. Hina served as a Minister for the State for Economic Affairs Division for 2005 to 2007. She was re-elected as a Member of the National Assembly in 2008 and served as a Minister of State for Finance and Economic Affairs Division from 2008 to 2010. From February, 12th to July 18th of 2011, Hina was a Minister of State for Foreign Affairs. In July 19, 2011, Hina was appointed as a Federal Minister for Foreign Affairs.

Please, join me to welcome Ms. Hina Rabbani Khar.

Hina Rabbani Khar

Good afternoon and As-Salaam-Alaikum to everyone. And let me just say that Mehreen already thanked the many distinguished guests that we have here today, so I am going to thank them again and all the audience. It is, particularly, a matter of privilege for me to be in front of an audience, which is as wide and as honoured as all of you.

So, I am going to start with thanking Mehreen for really making it all possible. From my perspective, I think your High Commissioner to Pakistan, Mr. Greg Giokas, and Mehreen have actually been the ones who pushed me to come, and here I am.

Today, I have been asked to talk about realizing South Asia's potential. Actually, I chose to talk about realizing South Asia's potential beyond conflict perspectives from Pakistan, and I will state that the reason why I chose this topic was that, I must say, that when I came to the job as the 26th Foreign Minister of Pakistan—and the many titles that preceded that, the first woman Foreign Minister, the youngest woman Foreign Minister, et cetera, et cetera—I came to the job with absolutely no preconceived notions. The job almost came to me because I was considered to be quite the finance- or economic affairs–focused person within the cabinet, within the parliament. And foreign affairs was something that I knew from an economic diplomacy perspective—but never the hard core. So, as the job came to me, I came to the job with absolutely no preconceived notions.

Typically, you know, Pakistan's foreign policy has been driven by what I call trying to court the distant to be able to handle or manage the close. And, as I go through the rest of my talk, I hope you will agree with this assessment because I think over the last many, many years, over the last 60 years, Pakistan's foreign policy and Pakistan's economic diplomacy have been overwhelmed by trying to manage and trying to cultivate distant relationships with very, very distant countries and in all of that time prioritize because we always must—whether it is a student, whether it is a businessman, whether it is a politician—prioritize. It is the law of life that if we are to succeed, we have to prioritize. So when you prioritize by trying to nurture relations so distant, you will end up ignoring those which are closer to home, those which are in your neighbourhood.

So when we talk about regions—because in order to realize

South Asia's potential, we have to talk about the region—how do we define 'region' in today's world? In today's world, defining 'region', defining 'neighbourhood', defining 'family', defining 'friends' has all become very difficult because we have the social media, so, on social media, we have friends whom we may never have seen. We have the global village or the world at large where distances mean nothing. Trends, sometimes stability, sometimes instability, sometimes financial crises, and then we just saw in the financial crisis of 2008 that it took days, if not hours, for one thing to fall after the other, from it to cross borders—there are no borders. Physical borders do not exist when it comes to financial crisis.

As we are increasingly finding out in the world today, physical borders also do not exist when it comes to conflict, when it comes to instability. And my country in some ways is a case in point because on the 20 years of conflict in Afghanistan it has slowly—almost not visible to the eye—permeated through the borders and crossed over into Pakistan. And Pakistan is suffering today, and Pakistan has possibly been suffering for the last five to ten years.

But, as Pakistan is correcting some of those wrongs, I believe Pakistan will stop suffering in the next five to ten years, but those trends have to be changed now, and the trends have changed as we speak.

But so, coming back to talking about the region, you know, eventually, I think the region as it can be defined even in today's world, has to have a starting point, and the starting point of the region has to be of countries which are closest to you. Which are the countries which are closest to you? It is countries which are your immediate neighbours because no matter what you do, a country cannot change your geography. You cannot change who your parents are and who your relatives are, and you cannot change your geography. Everything else in life you can change. You can change jobs. You can change titles. You can change friends. You can change everything. Countries cannot change neighbourhoods. We have the option of changing neighbourhoods. We can migrate. Countries cannot migrate. So, to ignore your neighbourhood is to bring upon yourself the curse of living without realizing your full potential, and that, I think, is the story of South Asia. And that, I feel, is a story that South Asia must not espouse to itself for the future. Let it be the past of South Asia. Let it not be the present and the future of South Asia, and if you have to change the future of South Asia, we have to start today. We have to start from the present.

The other definition of 'region', if we insist, can be of countries which are neighbours of your neighbours, so the broader region. And in the case of Pakistan, it will have to be the two regions of which Pakistan is a part. It is very interesting. As I told you, I was working for Pakistan's bilateral, multilateral relations, economic relations, and every few years, the Asian Development Bank and the World

Bank decided to change where they place Pakistan. So sometimes it becomes South Asia. Then they say, "No, no, no, Pakistan is part of the West Asia block. Now, you will not have that much funding available because, you know, India will take some of it, but, now, you will because now you are invested." So they themselves—many people, experts—are confused about where Pakistan belongs. I do not think that is a bad thing. I think that is a good thing because it says that Pakistan belongs to both. Pakistan belongs to SAARC and to South Asia, and Pakistan, at the same time, together with Afghanistan, belongs to West Asia, to Kyrgyzstan, to Uzbekistan, you know, to all of these countries who are Central Asia. And Pakistan, then, in being in the centre of these two, also has a potential to play the role of the bridge. And how do you have the potential to play the role of the bridge and what sort of a bridge? A cultural bridge, an oil bridge, an energy bridge, a social bridge.

You have South Asia which is starving for energy, oil, gas, et cetera, et cetera. And you have West Asia or what we call the Central Asian Republics which are brimming, together with Iran also, with all of those goods that we are starving for. Let us assume for a second that we had not been stupid in the last many years, that we had been smart people like you, like Southeast Asia, the ASEAN region, like the European region or European Union—forget the European Union, Europe at large—and we had allowed ourselves to peacefully coexist for the sake of each other and our own prosperity. Then imagine the bridges that would have been built. Imagine the pipelines that would be going from one region to the other. Imagine the road networks and the train networks that would be going and the seaports that we would be using off each other rather than destroying off each other.

So, you know, this has been, unfortunately, the legacy of the past. Now, I will go back to where I was starting from that when I came to the job I came with no preconceived notions, right? I had no notions of what I wanted to do with this new job that I had found myself in and very, very quickly—almost in a matter of two weeks—because I think what comes naturally, comes naturally very quickly or, otherwise, it does not come at all. You know, I saw myself to be completely imbibed by the Pakistan Peoples Party foreign policy objectives as they were during Zulfikar Bhutto's time—who actually went and reached out to the region. And some people believe the reason for his demise was that he reached out to the region a bit too much.

So, very quickly, I realized that what we need to try and work on was to try and concentrate on the region, to concentrate on the countries, and, if people tell you that these are impossible relations, we have to make them possible for our own sake, for the sake of our children and for the sake of a prosperous future and for the sake of not repeating the mistakes of the past. I always say that I am fine with the past. I am fine with history as far as we are able to learn a lesson from history and not repeat those mistakes. When we go get into the business of repeating old mistakes, then we need to judge ourselves. We need to beat ourselves with a stick, and we need to correct ourselves, and if we do not correct ourselves, we will continue to suffer. We will continue to make our children suffer.

So to cut the long story short, let us come to the region. Let us come to the immediate neighbourhood. Let us come to South Asia's potential and perspective from Pakistan. We have four neighbours: We have China; we have India; we have Afghanistan; and we have Iran. Now, Pakistan and China have proverbial relations. I wish to emulate our relationship with China in 10%, 20%, 50% with all of our neighbours. We can never do it 100%. But, at some level, to get the same bond with the other neighbours that we have with China because China, we will never need to second guess. Everybody else, we will second guess their well-intended actions, words possibly. And every government in Pakistan has contributed to the relationship with China, so I am not going to waste my time on it because it is a relationship which is already very well engendered.

Now, we come to the most difficult, one impossible relationship, one difficult relationship. And can anyone guess which is the impossible relationship? Consul General? So, yes, we have India, what I would call the 'impossible relationship'. And then we have, of course, the difficult relationship with Afghanistan, and I am going to speak a bit about both because I think sometimes it is not okay to just talk about the trends. Sometimes you have to go into details of events, of how we are going, of what we have corrected, which you may not have noticed because it was not spicy enough to make the headlines. It was not fun enough. It was not exciting enough because most of the corrections never make it to the headlines. It is always the spicy stuff which will create, you know, a bit of chaos, a bit of interest which will make it to the headlines. The corrections will never make it to the headlines. The corrections just keep on slowly, steadily correcting, and I will talk about some of the corrections that we have experienced in Pakistan.

Now, when it comes to India, of course, there is a history, and you have written about it. Even people who may not be Pakistanis or Indians or who may not have Indians or Pakistanis as their ancestors know about the Pakistan-India conflict. I was recently in Oslo delivering a lecture at the Nobel Peace Institute and the chairman of the committee said to me, "Ask some of your friends to solve Kashmir, and you get a prize. Not to me, but whoever does." he said. So I was just thinking how many conflicts or how many issues there are in the world where somebody can say with such confidence that if you solve this, you get the Nobel Peace Prize. It just made me think that look at the global nature of this conflict. Look at the *effect* of this conflict.

We have had a history in which there have been flash points. We did not part with good; it was not a good separation.

We had a person like Muhammad Ali Jinnah, who, until 1914, was known as the "Ambassador of Hindu-Muslim Unity," who after the 1935 elections—and the story will go on. Eventually, in 1947, the partition happened, and the partition brought in its throes, not peace and stability. It brought a lot of blood, a lot of instability, a lot of rancor, a lot of deep-seated hatred, which was experienced by people who saw their near and kin being killed in front of their own eyes. And it happened on both sides of the border. It was experienced collectively.

So, in the years of history that we had with India, we had another thing that we experienced together. Whether you were Pakistanis or Indians, whether you were Sikhs, Muslims, Hindus, you all collectively experienced this loss and this loss of humanity because you will hear stories which will bring you to tears because they are of neighbours killing each other, neighbours whose families lived together. So this is what conflict can do. This is what conflict can lead to.

So you begin to have a bad start. We understand. You have a bad starting point, but what do you do as statesmen, as people, as civilians, as academics, as professors, as bureaucrats? What do you do after that? Do you seek to normalize this difficult relationship? Do you seek to be able to bring a trend which will be able to make you exist peacefully so that both of you could prosper and develop, or do you almost, by choice, allow the basket of these disputes to increase exponentially over the years? And, in this, again, I am not pointing fingers at any one country. I am talking about the collective region. I am talking about collectively both the countries, and I am talking about an equal portion of blame to be taken by both the countries.

So, you saw, of course, the 1971 separation of Pakistan and the creation of Bangladesh, and you saw a role of India which many will say much about, and then you saw other things. You saw Cargill. Before Cargill, you saw the Indian forces taking positions in the 1980s on Siachen and thus adding another severely disputed physical territory between the two countries. So with respect to this dispute basket, instead of the dispute being taken out and solved and put in the other basket, the basket of disputes was being increased, was being contributed to almost as if our objective was to add on to the disputes, to add on to the rancor.

As time passes, the disputes between the two countries—easy guess—only increased and people would say, "Of course, they had to. We had a bad start. We hated each other. Of course, they had to because the partition was ugly. Of course, they had to because the past was very hostile. Of course, it had to because the memories were very, very terrible."

Now, please, compare, and, please, let this part be where it is for a moment and let us take ourselves a bit distant from this part and look at what is happening around the world. What is happening in your region? What is happening in East

Asia? What is happening in Europe? Give me an example of one region or give me an example of one country which has emerged as a tiger, as a lion, as a cat even—a prosperous cat amongst a region which is all in depravity and terrorism and, you know, all sorts of poverty and hunger. It has not happened, and people have been smart enough to realize that this cannot happen. Regions have been smart enough to realize that this cannot happen. You have the GCC countries combined together, work together, and, of course, they have political disputes, and the political disputes will continue. But it is still the GCC countries which are working to try and work together as much as is possible. You have ASEAN and within the ASEAN you have Myanmar. Now, we all know that, until two years back, it had a very different past than the rest of the other countries, but it still got it within the ASEAN region because it understands that you cannot even have one small country which is not part of the mutual, collective that the region will suffer because of that one country which will be left out. So the smart behaviour—look at the European Union. And now convince me that these countries or these regions have not had disputes which probably match up in proportion to our disputes: East and West Germany, France and Britain, the South China Sea, Vietnam, China, many other countries. So it is not the lack of disputes which is making them do this. It is just smart behaviour. It is just looking at the bigger picture and looking at the bigger trend rather than enamoring yourself and being caught up by stupid, petty, you know, hostility and politics and just tit-for-tat behaviour: "You will do this, and we will do that." You know, that does not take you anywhere because if I am truly going to be wearing a regional lens, then I understand that when I harm them, I harm myself first because he is, she is my neighbour. It is going to permeate through the borders and come over me. We will not be able to stop it. It is like a tsunami. It is like a slow-moving flood. It is like what is happening in Pakistan right now. It is like what happened in Pakistan in 2010. The flood was moving, and you could not stop the flow of water. You could divert the flow of water by creating artificial edifices or breaking them, but you could not stop the flow of water in the same way. If you are going to harm others, it is going to come back, so we are this collective, you know, with a national narrative that we have built against each other where we want to, and we have done a fantastic—let us congratulate India and Pakistan. They have done a fantastic job. They have literally gone into the deepest heart and minds of its people, of its children and infiltrated them with hatred, rancor, animosity against each other, and the results are brilliant.

Had the same energy gone in infiltrating these minds with love and the vision of a common future, imagine where we would be today. I believe it was a concerted effort. It was a policy decision to do what we did collectively, both the countries, and here we are today.

This is the history, okay? What do you do about it? How do you take a go at it because this is, of course, extremely political also? And which leader will have the courage to stand up and say, “I want to make peace with India at all costs”? Or, even more difficult, which leader in India will have the courage to say, “I want to make peace in Pakistan”? We had ten years that Prime Minister Manmohan Singh, the person for whom I have a great deal of respect and whom I had met at multiple forums at multiple times. I know he was yearning to come to Pakistan and also his ancestral home for ten years, but because of public pressure, he could not find the courage to come and visit Pakistan. These are the realities of this impossible relationship, okay? So what did we do?

During our tenure, the Pakistan Peoples Party decided that we could not be okay with it, that we had to contribute whatever we could, and if it was small, good enough. At least, it would be a start and we would not have a reactive foreign policy anymore. So we will not wait for India to take the first step and then follow. We would make our own first step and expect India to follow.

So we decided “Let’s do something which is considered to be impossible to do with India. We had an unsaid rule in Pakistan, unsaid policy—never approved by any forum—that we will not move on trade with India until the Kashmir dispute is solved. It is almost like saying we will never solve the Kashmir dispute because, you know, you cannot have a country with which you have no normal relations. You cannot have a country with which you do not even talk across the table and then expect yourself to start by solving the most difficult flashpoint between the two countries.

So we decided that we need to normalize the atmospherics, the relations between the two countries to as much as an extent as is possible. We need to normalize it so much so that we start talking to each other like normal people. You know as the Foreign Minister of Pakistan when you were across the table with the Indians, it was almost like you expected abnormal behaviour, and we would all be not speaking to each other as human beings but almost as if we had to win points. So we said, "Let's stop all of that. Let's start creating the environment to start treating each other as normal individuals," and, since 1965, nobody in Pakistan had had the courage, no political party, no military government in Pakistan had had the courage to start the process of normalization of trade. We decided to do that, and it was not popular. It was not popular domestically. We decided to go ahead and do it, anyway, because we thought it was the right thing to do for Pakistan. And we thought that we were going to be putting the first steps of a long journey. We were going to be taking the first steps of a long journey, and guess what? As soon as we did this, we were highly unpopular. Our government was highly unpopular. We were attacked as people who could not care about the world traders, who did not care about national interest, who were making compromises on behalf of Pakistan, and that goes with the long tradition of Pakistan Peoples Party, but we kept at it.

We did not go back, and, within months, we had the positive list with India, which meant that only 1,200 items would be traded with India, converted into the negative list which meant that only this many items which will not be traded. Everything else will be traded, and the cabinet gave approval to the MFN status with India so that we could move on and start normalizing trade with India.

Now, of course, before the MFN status could happen, our government got changed, and, hopefully, this is something that is still in process, but the change from the positive list to the negative list actually happened.

Then we decided that we are going to try and start cooperating with India when it comes to regional forums. So this typical view of Pakistan that India must not be at the table when it comes to Afghanistan changed; we changed that. We said, "We welcome India to be at the table when we discuss Afghanistan, and we just do not want India to be using Afghanistan against Pakistan. So let us talk to each other like normal people, and let us try and figure these problems out like normal people. We welcome India's economic contribution towards Afghanistan or any of the other neighbours." So we decided, basically, to not let the past define the future. We decided to chart out a new future.

Now, as this went, we had many, as I said, challenges that came in the way. One of the biggest challenges was, I believe, when we had multiple invitations which came to the Pakistani prime minister and president to visit India at Mohali when there was a cricket match taking place and then by Prime Minister Mamnoon Hussain when President Zardari was travelling to India. Now, a typical reaction from within Pakistan was that we would not let our leaders go because India had not sent its leader for the last ten years. Again, we said we were not going to follow Indian policy and that we were going to make our own policy. We sent Prime Minister Yousaf Raza Gillani. We sent President Zardari. I myself went to India on a bilateral visit.

So, all of this was an effort to try and normalize as much as is possible, and I think that had an effect, despite the fact that relations are not where they should be. I consider myself to be an indefatigable optimist when it comes to India-Pakistan relations, but even my optimism has been comprised by the recent event of Prime Minister Modi calling off secretary-level talks based on the Pakistani High Commissioner meeting—you know Kashmiri leaders.

I think it was something which was not required. It was something which was always done. I, as Foreign Minister of Pakistan, visited India and met Kashmiri leaders. Nobody called off the talks. So if you call off the talks on something like this that means you will find it very difficult to restart the talks now, so you are wasting time. I believe that any minute, every hour, every month must not be wasted on this.

So that is where we are as far as India is concerned, and we hope that Pakistan and India's enmity will not hold the region hostage to this enmity anymore. I believe it will be wrong to say that Pakistan and India have not held back the progress in SAARC. I think we have contributed to not making SAARC what it could potentially become, and we are responsible. I think it is about time that we start moving away from that trend and just understand that either we allow ourselves to mutually prosper or we continue at trying to mutually destroy each other, right? The 60 years have not been a good story of what we have been able to achieve by following a certain trend, and I think it is time to change the trend. I am very happy to share with you that, in Pakistan, this trend has changed. India-bashing is not fashionable in Pakistan anymore. You do not get votes. You do not get points. You know, we have elections. Even the Jamaat-e-Islami would not get votes on bashing India anymore. It is not fashionable. We do not like to do it. We have made people understand.

In India, however, the trends are still very different. You know, everyone who bashes Pakistan gets more votes. We hope also that as a democracy that is more mature than Pakistan, which is older than Pakistan, India will also change this trend, and I know that there are real-time changes that need to be made on both sides, and we hope that we will be able to make it.

Now, having talked about the impossible relationship, I am coming to the difficult relationship now. Afghanistan is also very interesting to Pakistan. You speak to an average Pakistani, and he will tell you, "Oh, the things we've done for Afghanistan. We opened our arms and our hearts and our houses and our borders to our Afghan brothers and sisters, to 3.5 million refugees, you know, all sorts of activities associated to that. No other country in the world will allow refugees to come and stay in the city centres. We allowed that. We allowed them to own property. We allowed them to do businesses, et cetera, et cetera, et cetera. And, of course, look at the sacrifices that Pakistan made in trying to reach the advance of the Soviet invasion of Afghanistan."

Now, flip that over, and speak to an Afghan, and what do they think about Pakistan? They will say, "Pakistan is interfering in our affairs, trying to tell us what to do, et cetera, et cetera." So the two narratives do not meet. For me, I got a reality shock. I am not going to say, "reality check" because I did get a reality shock when I landed in Kabul for the first time. I was thinking in terms of the great brotherly relations that I had read about, but I was told that I should not get out because it is a security hazard for a Pakistani to get out in the street. And I said, "How is that possible? These are our Muslim brother friends. How is it possible that I'm not able to get out and be, you know, welcomed?" Because the narratives in the two countries are very different. Now, I do not want to go into the long history and into who is right and who is wrong. Let us forget it. I believe the past should be forgotten. If the past is difficult, learn from it. Do not forget it in terms of historical lessons, but move on. So let us move on.

So, let us move on, and very quickly we realized that Pakistan needs to break away from the Afghan mind and the Afghan heart—this notion of Pakistan wanting to determine Afghanistan's future for them or determine their present for them. And, since that is not something that we like to do, we will go to every extent to nurture that part in the Afghans. Okay? So, typically, Pakistan is believed to nurture the Pashtuns and to want the Pashtuns to lead and to be presidents. They do not have prime ministers yet. They might very soon. So there is a typical notion that the Pakistani establishment and the Pakistani nation will only befriend the Pashtuns. So we said, "Let us continue our good relations with the Pashtuns, but let us go out and befriend practically everybody who is a non-Pashtun, whether it is a Tajik or a Panchiri of Northern Alliance, Northern Front—people, all the people, all the entities, all the groups who have considered to be inimical to power, who are considered to be enemies of Pakistan. Let us go and befriend each one of them." Guess what? Why? Because as a state, we do not have a choice but to befriend everyone who exists. As a state, we do not have a choice to pick up favourites. As a state, it is not in our business to tell them which president is best for you because it is for the Afghans to decide which president is best for you. Whichever president can bring peace and stability in Afghanistan is best for Pakistan. He might be, you know, Panchiri. He might be Tajik. He might be Pashtun. He might be any other nationality or ethnic identity. Why do we care? We cannot afford to care, so let us not care, and let us prove to the Afghans that we do not care. I am very pleased to share with you that, typically, as a matter of fact, every foreign minister of Pakistan, the 25 foreign ministers who preceded me, each probably had in his tenure at least three, four, five visits to Washington, D.C. As Foreign Minister, I have had a visit to Washington, D.C. only once and to Kabul thrice. In my short tenure of two years, I made it a point to try and visit Kabul and to try and get, you know, visitors from there as much as is possible because we needed to work on gaining their trust, and it has not happened, and it will not happen overnight, and it will not even be visible in the next year or two years or five years, but it will happen over time as we change these behaviours. It is happening.

So when I went as Foreign Minister, my ambassador, which before would have been an impossibility, was able to arrange meetings with practically every ethnic group in Afghanistan and practically every political party—even those who were considered to be very, very hostile to Pakistan. And we saw a different type of response: We saw a very welcoming response. Then we took our prime minister there and our president there, and, for each of those meetings, each one of them, separately sat with all of these people. Then there was a time during lunch when some of them refused to come on the invitation of their own president, but when we insisted they come, they did come, and they had lunch with us. So, you know, again, these will never make headlines, okay, but this is a change in trend which is there to try and engender a confidence within the Afghans that their future is for them to decide. We can only, as neighbours, assist them in whatever course they chart out for themselves. Any neighbour who thinks that they can do better than the people themselves, creates a problem. And that is a problem with Afghanistan, generally, and internationally because each one of us nation states, each one of us, the western, eastern neighbours, etc., Iran, Pakistan, India, U.S., and Britain—everybody believes they have a solution for Afghanistan, and they will go and put this pretty solution on the Afghans and expect them to behave. Let the Afghans decide what is their own solution, and you can posit as many solutions as you wish, spend more of the $6 trillion that you already have on Iran and Afghanistan together, and then maybe ten years later, I will ask you, "Is the region less radical or more? Is the region less violent or more? Is there more stability or less?" As somebody who is coming from the region, I will say, "Yes," to each one of them—that the region is more violent today, that the region is more radical today. And I cannot say that I come from a very stable region and that the stability of the region has increased in the last—I honestly cannot say that. I hope it will increase in the next five years, and I hope the seeds have been sown, but, if you say to me, “Give me an analysis today,” I will say, “It has not.” Okay?

And in some ways, I am just going to take a bit of a sidestep and just add to this because I think this is, you know, coming from Pakistan. I cannot afford not to, and, coming from a region where Afghanistan also exists, I cannot afford not to warn the world and all the participants over here of the dangers that we get into when we start relying on non-state actors to do the job that states are supposed to do. We did it in Afghanistan, and we are still suffering in that region because those non-state actors take forms and mutate into bodies and people, and we have objectives that states can never sponsor or espouse to, and then they come back to haunt you. You might be their creator, but they will come back and haunt you and bite you as they did in 9/11, and then we spent a good 12, 14 years trying to fix it, and look how much we fixed. Has not been fixed at all, and look what is happening in the Middle East as we speak—another proliferation of support for non-state actors at different levels by different states, another fixing the problem by creating more problems.

Where did ISIS come from? Which weapons is ISIS using? Was it not in fixing the last problem that we created ISIS? And, now, in fixing ISIS, God knows what the hell we will create this time. These are all realities and policy, you know. This is not something that I read in the book, but one thing that I realized when I was in the job was that the decisions that we make, the policies that we make today have lasting effects; they have such lasting effects that maybe my children will suffer or gain at the hands of the policy that I helped create. It will not even be in my generation. Look at what happened in ridding the region from the dangers of the Soviet invasion of Afghanistan. Look at the monsters that we created, and then, you know, Pakistan is happily blamed for that as if the funding did not come from many western or Middle Eastern countries and as if all of it was funded, created, conceived, implemented only by the state of Pakistan and its intelligence agency. No, let us get a reality check. Let us call a spade a spade. I am willing to accept my role in it. Are you willing to accept yours? Are you willing to accept responsibility for the contribution that your countries have made? And I say, speaking collectively again, not specifically.

In all of this, I have dealt with India, Afghanistan, the immediate neighbours. Now, I come to Iran because China, as I said, I do not need to talk about. We already have proverbial relations with them. I just want to get a part of the China relationship with all of my other neighbours. Now, coming to Iran, I always say to our western friends, especially, to the Americans, that you give us excellent advice when it comes to India. They always tell us to befriend them, make peace with them, prosper together, et cetera. But you give us terrible advice when it comes to Iran because you always tell us not to befriend them, not to make peace with them, not to try and encourage them, not to try and have relationships—economic or others—with them, and I always used to tell them, "We do not have a choice. With our neighbours, we do not have a choice."

So somebody might tell me that having good relations with India is a bad thing. "I do not have a choice," is my answer. Somebody might tell me having good relations with Iran is not a possible thing. I will say, "I do not have a choice as much as I do not have choice with India or with Afghanistan."

With Iran, again, huge opportunities exist. There is the IPI, which became the IP, the Iran- Pakistan-India pipeline, which became then the Iran-Pakistan pipeline because India decided to move away from it. We, in our times, despite the fear of economic sanctions—because these sanctions are national sanctions; they are not U.N. sanctions—as a state, I have a responsibility to abide by every United Nations sanction. But states cannot make other states do what they will, right? States can have policies which are implemented within their states, and I think that is fair, but I think it is not fair when states feel they can enforce their policy that is being made in their congress or their parliaments on other countries who have independent parliaments, independent congresses, independent executives. We have the United Nations to do that, and that is why the United Nations exists. For a sanction which is not a U.N. sanction, we can argue how applicable it is.

So we decided to go with the Iran-Pakistan pipeline. We decided to go and try and do a trade agreement for them where we could have, you know, almost close to an FTA with them. We decided to go and try and start to build roads which were to connect our border areas so that trade was easier, and we took many, many steps which were probably not taken any time before with Iran because, as I said, when it comes to our neighbours, they might be popular internationally or they might be unpopular internationally. We do not have a choice. We have to make sure that we are popular with each other. With India, we have to make sure that we are popular with each other, and I really do say it from my heart. I do not think I am in the business of scoring points on behalf of any of my neighbours because—I will give you simple example. Once when your foreign minister was here in Islamabad, we came out of a press conference, and, as I came out, one of our perky journalists told me, "Why did you make that statement because we had him?" So I said, "I made that statement because when you had him, you also had me because if you're going to contract the space for him to function within India, you're contracting the space for Pakistan, too, to benefit from that." If I am committed to this, I have to increase as he has to increase mine, as he did. When I was in New Delhi, I think the reception was of general warmth from your officials. You know, if you reach a point where you can argue your way through a situation, I think that is a good point. That means you understand each other, and you trust each other to quite an extent.

So I know I am almost out of time, so I am just going to say that I wanted to just talk about these issues, not from a distance but from home ground because I think it is important to sometimes look at the big picture from a small lens because when you go into the details of what is actually happening, you understand the dynamics better than sometimes giving broad statements. South Asia's potential—South Asia is going to be the engine of growth for the world. There is no doubt about that. The doubts are will we allow the next generation, you know, when we grow old, to be able to see that South Asia, or will we leave it for decades more to get sense? I am hopeful on this also because I believe that we are moving away from the generation which had seen the partition, which had seen the blood in partition, which had raw memories of very, very difficult times.

You know, I am of a generation which did not even see the 1971 war. I was born in 1977, so I believe when you come from a generation which has not lived through those very difficult war times, you can be taught hatred, but it will not be part of your DNA. I will tend to reject it very quickly, so I will tend to carve out my own way, and I am very happy that, you know, that I want to give a lot of credit for this to, of course, the party that I represent, to the Pakistan Peoples Party, because all of our leaders, whether it was Zulfikar Ali Bhutto or Benazir Bhutto or whether it is Zardari today, have been committed to the region. As foreign minister, I know that the advice that I will get from a prime minister or president was *only* the region. You know, we had to manage. We had to give time to the U.S. because of Salala attack, et cetera, et cetera. Given an option, if those issues had not erupted, we would actually end up giving absolutely no time to the European Union. Yes, we wanted market access. With Canada, we have excellent relations, you know, and good relations, ones which are dependent on developments. Where you have good, decent relations, you do not need to give a lot of time. Where you have difficult relations, you need to correct the wrongs.

So I like to believe that, in some ways, we were able to contribute towards correcting those wrongs, and I just want to leave you with this because I think this is important because all of you are hearing and seeing pictures of Pakistan where you are seeing a Canadian national, a dual—Canadian-Pakistani national, Mr. Qadri holding the whole government hostage together with the cricket star who believes he is a rock star and that he can get away with murder. So with 20,000 people to 50,000 people, you are holding the whole mandate of 180 million people hostage, and you believe because you have 20,000 people on the street, you can challenge the mandate of 180 million people. So be it. You might get these images, but I want you to know that this is, in some ways, the mature democracy presenting itself in Pakistan.

Ten years from today, had my party, the Pakistan Peoples Party, been given, presented on a platter, the chance to topple to a PML-N government, we would have grabbed it, and look at what we are doing today. We are literally holding the balance between the preservation of the PML-N government or reelection, breakage of the system.

So this is how democracy has matured in Pakistan, and it is truly in this sustained, matured democracy that I have no doubt this narrative that I have told you of a new foreign policy dimension of the region of Pakistan will continue to hold. I was delighted—you know, one of my favourite phrases to use when I was foreign minister was that Kabul is the most important capital for Pakistan, and I was delighted when we saw Prime Minister Nawaz Sharif visit Kabul, and in his statement came the phrase, "Kabul is the most important capital for Pakistan." So I did not tell him that, but they picked it up because that impression, that mark was left by the Pakistan Peoples Party government, and this is a mature democracy that you carry on the good work. You carry on the good legacy.

With that, I just want to thank you and to say you have been a brilliant audience. It is really my privilege to be in an audience like this where you have students, where you have academics, where you have professors, where you have industry leaders, where you have political leaders, you know, some who are, obviously, of Pakistani origin and some who are not of Pakistani origin—the India Consul

General, Pakistani Counsel General. So it is really a privilege to be able to speak to as informed a crowd as this one. So thank you.

Questions & Answers

Q: Thank you, Foreign Minister, for an excellent and inspiring speech. I could not help notice your discussion I think about Iran which leads me to I guess your views maybe on the role of Pakistan in perhaps helping in another region of the world which I think is close to Pakistan, in the Middle East. As you know, it has been riven by Sunni-Shiite conflict, and I think the fact that Pakistan can maintain excellent relations with Iran in the midst of all this suggests that maybe Pakistan has a role to play there. I know it is not out of the scope of your talk, but I would like to hear your thoughts on that.

HRK:To be quite honest, on that, I cannot say that we have burned midnight oil, but I can certainly say that this is something which has crossed our minds. And, yes, you know, with Saudi Arabia, with Bahrain, the UAE—we have always had excellent relations. The GCC countries have been one of the priority areas in Pakistan—and strategic relations with many of those countries. So now it is not unknown to anyone that there is a conflict between sort of the two—one group or some countries and Iran. And there is, obviously, an ethnic or Sunni-Shiite dimension to that.

You know, I think, my take on this as foreign minister was that Pakistan is a country which has too many worries of its own, which has too many internal interests to preserve, to get involved and embroiled in others' problems. And Pakistan is a country which has to first secure itself. We have Shiites that I am proud to say I never knew were Shiites or Sunnis that I am proud to say I have never known are Shiites. If you look at the DNA of Pakistani society, it is not divided. We do not feel venom against the Shiite, or the Shiite does not feel venom against the Sunni, and we do not want to give rise to that. We want to coexist this peacefully, and the moment we get ourselves embroiled in these disputes, we become a party, and we have decided not to become a party.

Q: I just spent a week in Winnipeg with relatives from India who are quite excited by the election of the new government, new Prime Minister Modi, who has given immense hope to Indians for future prosperity. What hope does it give to Pakistan?

HRK:He took away all hope that he gave to Pakistan. I will be honest with you once again: I was in India. I was in New Delhi three days after Prime Minister Modi took oath, and, you know, I almost became enveloped by the electric hope that this man had been able to generate in India. I felt very jealous, positively jealous—as a well-wisher—jealous of the hope that this man had been singularly able to create. He had given hope to the businessman, to the politicians, to the driver. And everybody all of a sudden seemed to think anything was possible in India, and I was just sort of tempering everyone by saying, “Listen, it’s very difficult to deliver in a state or in a province in Pakistan and India and very difficult at a federal level because the federal structures are very similar and are very, very convoluted.

Nevertheless, I was interviewed by Karan Thapar, and in that interview I remember saying very categorically that I am very hopeful from where we are today on where we are today because I would rather have a strong Indian Prime Minister who wants to contribute 50% to peace than a weak Indian Prime Minister who wants to contribute 100% to the peace. And in the person of Prime Minister Modi, we once saw a strong person who was strong-willed who could deliver, who had the ability to deliver, and my only concern was that, you know, God forbid he becomes unpopular within India, then he might use the Pakistan card to appease his right wing sort of supporters.

As I said, I mention it everywhere I go because I could not have not been more deeply disappointed by a single act of diplomacy, of foreign policy management, than Prime Minister Modi’s decision to call off foreign secretary level talks on what pretext? On our High Commissioner meeting—a Kashmiri leader—which is done every day, which has been done by every High Commissioner that preceded this High Commissioner. So when you do that, you are actually almost backtracking and going to a position from which you will not be able climb down. How will we restart talks now?

We are not going to stop meeting Kashmiri leaders because Kashmir is an internationally recognized dispute. It is a dispute which is recognized between India and Pakistan, and the dialogue has been part of the resumed dialogue. You know, we are interesting people. We keep on changing the nomenclature. We say, "'Composite dialogue' sounds too serious." Let us call it "revived dialogue," or "revived dialogue" still sounds too committing. Let us call it "just dialogue" or "just a meeting." So he just called off "just a meeting" on the pretext which cannot be justified. So he has taken away all hope but, as I said, I am being an indefatigable optimist on this. I believe that this was a big diplomatic faux pas. It was a mistake of the proportion that I do not think he has committed on any other front. We still have hope from the fact that he has delivered on many counts. You know, there are the Gujarat killing sort of baggage that he carries, but we forgave that baggage when we sent our Prime Minister, and the Pakistan Peoples Party contributed to that because even before the Prime Minister had accepted his invitation to go to his swearing-in ceremony, we came on record, and we said, “Had we been in government, we would have accepted it long ago.”

So again, we need to mutually dance to move forward. We cannot take one step forward and three steps backward.

Q: **Yes, thank you for coming out. Pakistan has been the biggest loser post-9/11. It sacrificed essentially itself as a country. I am wondering if you could comment and kind of share your experience with the U.S.-Pakistan relations and that relationship of convenience. And one more small question: Any regrets being a Foreign Minister?**

HRK:Okay. Absolutely no regrets. I think I enjoyed every moment of it. It was something which required a great deal from any individual. I was sharing with Mehreen while we were driving down from Montréal from Ottawa, actually, that, you know, it is interesting that the decisions which are the most difficult and which make your life miserable while you are in government or when you are in the position are the ones that you are the most proud of when you are not in government. So, you know, for me I think that the opening of trade with India was one of them, reaching out to Afghanistan, allowing India to be on the table— not allowing India as if we have veto power on it, but some people in Pakistan believe they have veto power on being on the conference on Afghanistan where India was. So these type of things, which are very difficult to do—allowing some commissions to come to Pakistan, being in the open. I think the thing that we tried to engender was that we be an open society. We have nothing to hide. If people believe we are doing something wrong, the only way we can prove that they are wrong is allowing them to come and see, allowing them to come and experience.

So on the matter of Pakistan-U.S., you know, Pakistan-U.S. relations have been very interesting. They have gone through all sorts of transformations and permutations, and I believe they have typically been overemphasized in both the countries than their due share. For us, U.S. is an important partner on many, many different fronts, but it is an important partner. It is not the determinant of Pakistan's future as many people in Pakistan believe it to be.

So during our time, I think we were going through a very difficult time. With the U.S., a lot of their politics and the executive decisions are dependent on what is happening domestically in the U.S. So until the time Afghanistan was high on the agenda—and it was front page news in the *New York Times* and *Wall Street Journal*—you know, there was lots of stories vis-à-vis Pakistan's role in Afghanistan, et cetera. Now, that that has died down, and Syria and other countries have overtaken, I think we are learning to coexist peacefully. And, really, I think it is a relationship which is improving, which is improving from the very, very low depths that it has seen. These are real events. You cannot shoo them away. We had 24 soldiers dead. Nearly two supply routes got blocked. This is something which the U.S. did not like. We did not like that 24 soldiers were dead. All of those things happened, but we recovered from it, and I think we hope to have good economic relations.

Generally, we do have a lot of dialogue in Afghanistan. I think we are learning to agree with each other much more than we did in the past, even on Afghanistan.

Note of Appreciation by M. J. Perry, Vice President and Owner, Mr. Discount; Director, Empire Club of Canada

I do not think I will ever be invited to join the diplomatic corps because my first reaction is “Wow!” I thank you for coming. Like many who have no personal or business relationship with Pakistan, my experience has been from the headlines and the odd sporting event, and I would like to thank you today for your patience in educating, for your gentle correction when we unintentionally offend, for your understanding of our trying to grasp the relationships you have given to us. I thank you for all of this and hope, on behalf of the whole Club, that you continue to build bridges and move on. Thank you.

Concluding Remarks by Andrea Wood

I would like to extend a few final thanks before you all head on your way. Thank you very much to our generous sponsors. Our event sponsor today is Spencer Stuart and our VIP reception sponsor is Hamilton Airport. I would also like to thank the *National Post* as our print media sponsor and Van Valkenberg for providing our AV support.

We are on Twitter and Facebook as well as online at www.empireclub.org.

Thank you all for coming. This meeting in now adjourned.

The Empire Club Presents

ED CLARK
CEO, TD BANK GROUP:

LEADERSHIP AND THE VISION REQUIRED TO BUILD AN ENDURING FRANCHISE

September 16, 2014

HEAD TABLE:

Distinguished Guest Speaker:

Mr. Ed Clark, President & CEO, TD Bank Group

Guests:

Mr. Charles Baillie, Former President & CEO of TD Bank Group;
Mr. Marc-André Blanchard, CEO, McCarthy Tétrault
Mr. Stephen DeKuyper, Chaplain, King- Bay Chaplaincy
Mr. William Downe, C.M., CEO, BMO Financial Group
Ms. Janet Ecker, President & CEO, Toronto Financial Services Alliance
Mr. Trent Henry, CEO, Ernst & Young
Mr. Bharat Masrani, Incoming Group President & CEO, TD Bank Group
Mr. Paul Robinson, Deputy CEO & CSO, Deloitte
Ms. Verity Sylvester, Past President, Empire Club of Canada
Mr. William White, Chairman, IBK Capital Corp.; Director, Empire Club of Canada
Ms. Andrea Wood, Senior Vice President, Legal Services, TELUS; President, Empire Club of Canada

Welcome Address by Andrea Wood, President, Empire Club of Canada

It is now my pleasure to invite Marc-André Blanchard, CEO of McCarthy Tétrault, to come to the podium to introduce our guest speaker today.

Introduction by Marc-André Blanchard, CEO, McCarthy Tétrault

Many thanks, Andrea. Very nice to be here. Great leaders help people and organizations achieve things they never once thought were possible. Our guest speaker today, someone who has been recognized as both one of the world's top CEOs as well as Canada's top civil servant, fits the bill. At McCarthy Tétrault, we are proud of our partnership with TD. McCarthy Tétrault has represented TD in many of its most significant transactions, including TD's acquisition of Canada Trust, the transaction that brought Ed Clark to TD 12 years ago and made it all possible.

Under Ed's 12-year watch, the bank nearly doubled its number of retail outlets, customers, assets and deposits. Indeed, based on assets, TD recently became the largest Canadian bank. The key driver has been TD's successful expansion into the U.S. More than 20% of the bank's total earnings are now derived stateside, a remarkable transformation given that TD had no retail bank earnings in the U.S. prior to 2005. Moreover, its U.S. retail bank, TD's America's Most Convenient Bank, is now a top-ten U.S. bank in terms of deposits and branches. From an earnings view, TD's net income after taxes has increased five-fold, and its earnings per share have increased by about 12% on an annual, compounded growth basis.

To put things in perspective, TD now earns more in a single quarter than the entire fiscal year back in 2002. All of this growth was achieved without going outside the risk curve. TD is widely regarded as one of the world's most stable and strongest banks. TD shareholders—many I sense are in this room—should be a happy lot. TD's total shareholder return of more than 16% compounded annually is the highest among the largest North American banks driven by almost a quadrupling of the share price and double-digit annual compounded dividend growth of 10% during Ed's 12-year watch.

Now, all of this is the headline news, the typical stuff we look at to measure a company's performance. But, today, Ed Clark will take us deeper into the organization to focus less on what was achieved and more on how it was achieved because in Ed's view the how is more important than the what when it comes to building an enduring franchise.

What he will not delve into today but what cannot go unmentioned is the impact Ed makes beyond his professional career. He considers himself lucky in life and has shared that luck with those in need of it. I have seen his generosity firsthand at WoodGreen where Ed and Fran Clark made a huge difference to kick-start a program called "Homeward Bound" to assist single mothers to find a home, a school and go back to work.

I have experienced his generosity and passion personally. When I arrived in Toronto five years ago, he was not able to correct my accent, but he helped me a great deal when I arrived. He invited me to his office for a coffee. We had a fascinating discussion about our families, our business and diversity. I remember his exact words: "Diversity is not a do-good strategy. It is about having McCarthy and TD survive 20 years from now. Diversity is about creating an environment where people feel comfortable to be their best. It is about making people better than they ever thought they could be." His comments made a huge impact on me and on my firm. Ed has helped transform lives just as he has helped transform TD. We are all better for it.

Ladies and gentlemen, please, welcome Ed Clark.

Ed Clark

Marc, thank you very much. I have to say if you had had the task to improve my accent in French, it would have been much more formidable than the task that I would have had. That is very nice of you.

You know, when I was thinking about this speech I struggled a bit about what I should say, given it is my last major speech as the bank's CEO. And, in truth, those who work with me know actually I stew about my speeches even at the best of times because I sometimes wonder, "Well, is that really worthwhile having a little speech to try to say…?" But, on this occasion, it is much more difficult because I have an audience here filled with so many people who have been such an incredible source of support to me that you kind of enter this unique pressure to say, "You better say something meaningful."

So I toyed with focusing on Canada's economic and public policy dilemmas, and, again, for those of you who have heard me speak before, you know I worry. Canada, a country we are all incredibly lucky to call home, has done extraordinarily well in recent decades in economic growth, in supporting our vital public health and educational institutes, which are so important to people's well-being and preserving social mobility. We have done well in managing to reduce poverties—old age poverty—and to offset some of the global trends driving corrosive economic inequality. But I worry because Canada in the future will need to manage rapid technological change, negative demographic challenges and a shifting competitive context where our hand is no longer so strong. And this will require a shift in our economic base, the development of new firms as well as more outward-looking firms. It will require more innovative economy, and it will require a willingness on the public's part to support government's talking about and then, ultimately, making tough choices in how to allocate scarce resources. In the end, we must find a way to enhance the real incomes of average Canadians and preserve social mobility within a strategy where we have an economy with sustainable economic growth.

But I talked about these issues before, and I thought a more meaningful speech would be to focus on what I learned from leading Canada Trust and then TD through a period of pretty dramatic change. To a certain extent, I thought, "Well, let's try to take you behind the scenes at TD to hear what I say at executive development sessions or when I have the opportunity to make new recruits to the bank." Well, frankly, I talk much less about performance numbers than you might think, and much more about leadership and the vision required to build an enduring franchise, which actually makes our customers and our country better off. But I am getting a little bit ahead of myself.

My real world learning started even before I entered the workforce. It was 1968, and the student council at the University of Toronto asked me to lead a project to build a new student residence. No, I was not taking engineering, or I was not in architecture school. Indeed, you are going to find here an emerging theme: I have generally been uniquely *unqualified* for most of the jobs that have been given to me. At the time, Rochdale College—for those of you that have long memories like I do—a co-operative housing experiment founded by a couple of students, had just opened up. So, I trekked off to that residence to ask its founders, "How did you make this happen?" And so their answer was, "Well, look, man"—you have got to understand this is the ‘60s—“building isn’t a birthright. Just do it! Learn by doing.” And that has stuck with me ever since. You cannot figure out the game without being in the game, so get in the game, but do it in a way that the mistakes which you will inevitably make will not kill you, and then make adjustments. Be prepared to drop your preconceived ideas and strategy. And so began my journey.

Of course, in my case, it was not a straight line to running a large Canadian bank. The first two decades I worked were spent in Africa, in France, the federal government, investment banking, rescuing a financial services company while running my own firm. Quite a wide range of circumstances and challenges. And I picked up some important skills along the way: A tolerance for things going wrong, an ability to manage multiple stakeholders, a focus on surrounding yourself with people smarter than yourself. I always say that my kids say, “Well, that’s very easy in your case.” And I would say that that is my main competitive advantage—and understanding that inarticulate, non-conceptual people are sometimes right, and articulate and conceptual people are often very wrong, and an ability to inspire people in different and difficult circumstances. However, what I had not learned was anything about how to be a banker.

So by the time I joined Canada Trust in 1991, it had assets of about $35 billion and earned about $200 million, a little shy of what we are now earning in the bank. And we were losing market share heavily to the big, bad, five Canadian banks despite having a fabulous brand and a great focus on customer service. Now, these two concepts, brand and customer focus, dated back—Canada Trust has to be looked at in history as an incredible move to eight to eight, six days straight, which, in 1976, was a move that was truly unique in the banking world, and they have left an indelible mark on my approach to things. You must understand brand, what it is and how to build it, and always start with what the *customers* want, not what the banks want to do.

As a new leader, I did what most leaders do when they arrive at a new place: Walk around, listen, find the issues, fix them, build a vision which your employees not only get but inspires them, and then find a way to operationalize it. We focused on retail growth, customer service and earning more of the customers' business—all pretty obvious. But it worked. The lesson: Execution makes the difference.

When we were sold to TD in 2000, our branch system had grown from around 340 branches to 440. We were gaining market share and became in our own customers' eyes, their core bank. Our assets were $50 billion, and we had about $360 million in earnings. Now, the price tag, $8 billion, four times the tangible book, looked pretty good to me as a seller, but—to Charlie's full credit, aided by his management team but especially Bill Brock—Charlie had a bigger vision: Could he transform TD by acquiring Canada Trust, but doing it in a different way? Buying Canada Trust to get its business models and management and allowing a true merger of the best of both companies. So another lesson for me. Leadership does matter. There are moments when it is possible to transform institutions, and you have to seize them. Charlie had the courage to do so, but, more importantly, he had the courage to resist what almost every acquisition involves, the destruction of the culture and business model of the acquired entity.

Now, Charlie put me in charge of merging the two retail banks, and I discovered what should not have been a surprise, that the culture is different. Different cultures can work. The key is you have to decide what is the right culture for *your* company. In our case, we tried to make it genuinely a merger of the two cultures. There are parts of the TD culture which in my view were better than the Canada Trust culture. For one thing, the TD folks were given the room to make bold decisions. It had a history of being an international bank. It was comfortable venturing into the U.S., something that helped us down the road. For another, at Canada Trust, we had too much of a get-along culture where real differences were not always surfaced. We needed to be willing to change the culture that we had actually built. This is often hard for people to do. Again, a lesson of leadership.

There are many leaders who make their careers by their ability to change what other people have done, but that is not the real test. The real test of leadership is a willingness to fix your own mistakes, and this is never harder to do than when you have made people mistakes. Undoing them is rightly painful, but sometimes leaders make it worse because they do not like publicly admitting an error in their past judgment. Delay only causes more pain. When you look for great leaders, look for people who actually had to fix their own mistakes. You could say in my case I have had lots of opportunity to showcase that skill. This natural tendency to be slower at fixing your own mistakes is also why it is often a good thing to move people around, not quickly, but there are times when new eyes are needed.

Now, to build a unified retail franchise, which was what our goal was, that was able to sustainably outgrow what were very competent and entrenched competitors, we needed to agree on what George Bush, Sr., said, which was that vision thing, and the vision had to be more than words. Indeed, it had to transcend the making of money. It had to be something that attracts employees through enterprise, adds value, creates a better world for its clients and customers and is truly focused on the long run.

Analysts and journalists would make fun of us. They would tell me, “You know, everyone at TD has drunk the Kool-Aid.” But getting everyone to drink it makes a huge difference. It empowers your people. It unlocks their potential for the average employee. Why? Because that employee knows better how to implement the vision than the people at the top.

And so what was our vision? Well, it will not surprise you. Start with what the customers want, not what the banks want to do. It is amazing how many organizations you see have this profound tendency to start at the centre and do what they like doing and forget the customer. But if you flip that on its head, and you realize that the key is to figure out how to support and engage people who know their customers, the frontline staff and all of those who support them, in doing that, you change the culture. You become more transparent, more open, less hierarchal and more empathetic. Do that and great things can happen.

We then sent out a very simple growth goal following the merger: Supercharge our growth by growing the businesses where TD was strong but our market share was less than our new retail market share. Commercial banking, credit cards and wealth—and, boy, did that team deliver in an extraordinary way. We moved from number five in commercial banking to number two, from number five in credit cards to number one, from four to three in wealth.

So all of this leads me to another important lesson: Business models drive culture. Now, we see this all the time when you look at a business. A business which uses commission sales people will have a different culture than one with salaries. That causes you to step back and then say, "Well, what really happened in the financial crisis?" A truly awful tale of banks evolving into pure mean, green cultures with apparently no moral code. We as members of the financial services have to ask, “How did this actually happen?”

It was a shift in culture of the security dealers and the ascendency of that business in the banks. What is striking to me was the naiveté or, more harshly, perhaps it was the self-interest of bank leaders not to look at the consequences of how the dealers, both in and outside the banks, were evolving.

Now, I recognize that the dealer world has a very entrepreneurial culture, a drive to make money and, therefore, a focus on personal achievement and a willingness to push the limits. I lived and worked in that world, and there is much about that culture that I like and admire, but two important things happened leading up the financial crisis. In many cases, the dealers became owned by banks or became publically owned. Well, this dramatically changed the risk-reward equation for employees who previously had their personal wealth at risk. Bets in the dealer were now backed by public shareholder money. Risk to trades became asymmetrical: Heads—I win with the bigger bonus. Or tails—the shareholder loses.

The second shift was a change in the fundamental business model. Dealers before were built around their clients. They created great franchises by supporting the client’s needs and growing their loyalty. They added value to the economy. With access to more capital, dealers said, “Mhmm, there’s a real opportunity, not here by doing the hard work of serving corporate and retail clients, no, but it actually betting." You know, sure, it was dressed up with fancy words, like 'trading structured products', but, ultimately, it was a zero-sum game where money was going to be made off your clients or your competitors.

I got to learn all this as I wrestled with what to do with TD Securities shortly after I became TD's CEO in 2002. It was a dealer that had no defined mission other than the making of money. It was, in fact, a product in reality of very two and contrasting views. The historical base of TD as a great corporate bank and the view of TD as the nimbler follower of this industry-wide trend to shift the base of the dealer from clients to proprietary trading. We had a world-leading franchise, and many of the most exotic products, but a number of things struck me: First, the culture was completely different than the rest of the bank. Not everywhere in the dealer. There were still old-fashioned bankers who truly cared about their clients. And, in addition, we had bought Newcrest, an advisory boutique with no balance sheet. This was a firm which has built a great franchise because its clients trusted their advice. The culture was the same as the rest of the bank built around the customer or client, but a business model that says, "Clients are counterparties," was absolutely incompatible with our philosophy.

Secondly, I gradually became aware in a frightening way that not only in TD, but also in the banks around the world that there were many bank leaders who did not really understand either the risks involved in these products or how they were actually making money. The concept of tail risk, risk with low probability of occurring but with huge costs when it does occur, was not really understood. It is the most insidious of risks because current management gets rewarded today while leaving the possibility of loss for the future. Taking tail risk was absolutely fundamental to these products.

My takeaway: You need to dig deep enough into a business to truly understand how you make money, and the risks you are taking to make that money. If people answer your questions glibly, go deeper, and always ask the question, "What happens if the assumptions don't hold?"

So, as you know, we exited these areas—controversial at the time because it cost us money, and we were criticized by analysts and investors. Now, it is easy in retrospect to say, "Well, that was clearly the right decision." But it is important to recognize that it could have turned out that these products did *not* blow up as much as they did. In that case, we would have looked pretty stupid, but it was still the right decision for us. We did not want to make money that way. Wrong business model, wrong culture. It is very important to recognize that not all right decisions are going to be profitable decisions.

It is also interesting to see the factors that helped us make that decision. First, we had an alternative. We knew by then, 2005, we had a winner in TD Canada Trust, a franchise which could outperform and replace the lost earnings. And, second, I had the right support in Bharat Masrani, my successor, our Chief Risk Officer. He was capable of understanding these products. He had a gut that told him we were wrong, and he had personality and determination to swim against the tide.

Now, I want to pause here just to make sure I do not leave the impression that the banks alone caused the great financial crisis. They did not. Yes, many of the world's banks did lose their way. They did not understand the risks. They took too much of it. They relied too much on markets for liquidity. They carried too little capital, and they allowed the greed culture to grow unrestrained. Not bad for a list of things to do wrong, right? But they had a lot of help in creating the crisis from regulators who did not understand the risks were focused on process, not on content; central bankers who said, "We don't believe in the risks of asset levels"; politicians who believed that if you provide aid to people to buy houses, you actually help the buyers when everything in economics in history teaches you no, no, no—you are just helping the sellers; and governments and regulators in Europe who saw their banks as national champions and, therefore, were willing to bend the rules to help them, but, then, in return, expected them to be investors in government paper.

I am afraid the rest is history. As it turned out, we were able to build a dealer—of which I am very proud—focused on building old-fashioned banking relationships with our clients.

So, as you know, the next big thing we did was try to enter the United States. Why the United States? Because we believed we could win the ties, attract customers to walk across the street and bank with TD. We knew Americans wanted great service as much as Canadians do, and we believed that we could fulfill this unmet need by playing to our strength as a customer-focused, retail bank. Indeed, America's Most Convenient Bank is both our value proposition and our brand. Still, it is important to know that it was not an easy decision. By making this move, we would have to reinvest some of the outperformance from TD Canada Trust in what would inevitably be underperformance of entering a new market from scratch. It also meant that the leadership team had to be willing to pay a personal price. Our stock price was obviously not going to perform as well in the short and medium terms than if we just said, "Let's just concentrate on the Canadian market." "Understand," I said to my leadership team, "this move will cost each of you money, so you better be ready to make a cheque out to TD."

Our CFO at the time, Dan Marinangeli, who had come up the ranks of TD and was planning to retire in about a year, was going to be especially hard-hit by that decision, but he was the first to speak up, and he said, "We get paid well enough to do the right thing, not the wrong thing. I'm all in." We did not look back after he said that.

So what lessons do I draw from our U.S. experience? First, the support of your board was absolutely critical. We had a thorough and thoughtful discussion of what we were doing: Investing in the future. Our board clearly viewed our leadership team as custodians of a great Canadian institution. Our job, number one, was to leave the bank in stronger shape, not just try to make it look good in the short term. At the same time, we all recognized that you have to recognize and acknowledge the discipline and pressures of the real world. CEOs who are visionaries but cannot manage the demands of the marketplace rarely find themselves in the position to deliver their vision even if the board has bought into that vision. In reality, life is about getting that balance.

The board's support became critical with the passage of time because we learned another lesson: Life never turns out as you planned. We had modeled traditional recessions, but we had never modeled the financial crisis. Here, we had to avoid the pitfalls that befell many of the world's banks, but we completely missed entirely the collateral damage that the crisis would produce. We could not avoid the political policy and regulatory changes which followed. Changes in rules, which cost us half a billion dollars in fees; low interest rates, which cut our spread income by billions of dollars; and the regulatory reaction, which caused us to spend hundreds of millions of dollars on compliance.

But, on the other hand, we did not foresee the emerging opportunities that would come our way to take market shares as others were hamstrung nor all of the advantage that our low-risk, customer-focused model gave us. We underestimated the speed with which our brand could be recognized in the United States and, for that matter, around the world. Indeed, we did not fully appreciate the global profile we would gain from becoming the fifth-largest retail bank in New York City, the most important competitive marketplace in the world as well as the media capital of the world. But nor did we foresee the incredible impact of building a group of American colleagues and how they would have an impact on our retail culture on both sides of the border. The TD pin, our WOW! Awards, where we celebrate contributions of our employees and a willingness when our groups get together to express their enthusiasm in a non-Canadian way, all originate from the U.S. Their energy and verve is not only reinforced our group retail culture, they have transformed it.

So, another takeaway: Be prepared for the very unexpected. The fact that we had de-risked Canada—a conscious decision we had made prior to going into the United States to do that—turned out to be absolutely critical. We also made the decision to scale up fast in the United States. We made more than ten acquisitions over time, but we never in any one bet the farm, and we also decided not to do sub-prime lending, even though it made us look like a poor performer in our early years. Now, the key to this is that you have to have a view of the totality of the company's risk balance, not just the risk you are taking on in a single decision.

The rest of the story you know well: We had incredible growth. As Marc-André mentioned, our stock price when I started was about $15 and our market cap, $19 billion. Today, we are $57.50 or so, and we have a market cap of $105 billion.

Now, we learned a lot of things from this growth: Growth creates its own complexity that you have to manage. And, I would say, truthfully, it has taken us awhile to realize that. We still struggle with that. The key message, though, is because of that, you should shed businesses you do not need, and you should be vigilant about strategic drift.

We wrestle all the time with whether scale produces the economies or diseconomies. In the financial world, you see the dilemma. Monolines beat universal banks. Monolines have people with true expertise and a maniacal focus. But then, when you step back, almost all monolines end up being owned by universal banks. So why is that the case? Because their growth trajectory stops at a certain point without the broad cross-sale and brand features of universal banks.

I learned two lessons from this: First, a universal bank needs to create as many monoline characteristics as they can, which means creating jobs with real end responsibility and real bottom-line responsibility. But, in doing so, you have to be careful of the real big danger, the creation of silos. To offset them, you have to foster a very strong and unifying culture. For us, there is only one TD, one team that works for the customers, not ourselves. And, where you do centralize, get economies of scale or capability, you have to find ways to tie those central groups so that they feel the heat of the profit and loss statement. The second lesson is that the biggest scale of economy, by far, is capability. By creating a larger company, a growth company, you can attract and grow talent, which is always, in the end, the real source of competitive advantage.

So this leads me to another one of our lessons: Growth creates its own demand for better people. Growth, especially, cross-border growth, requires skills, with executive, with unique skill sets. So even if you think that you have a great company, and you are at the end of the journey, frankly, you never are. You always need better people, and you always need to make your people better. To do that you have to do a few things: First, you have to get leaders to understand that growing their business does not make them great leaders. They also have to grow their people. They have to attract, grow and export the next generation of leaders to other parts of the business. Now, again, this may seem like common sense to you, but I am telling you that it is not common practice. Ask any executive, "How do you think you're judged at the end of the year?" And they will say, "By business performance." For many executives, it is counterintuitive that people management is as critical as business management, just as it is counterintuitive for many to think that EQ is worth as much as IQ. But we know, in the end, and all of us know that if you have happy and committed employees, you are going to have happy and committed customers, and you will have happy and committed shareholders.

Secondly, as an organization, you have to focus on your employment brand. It will not surprise you that I come back to brand. It is critical in building an enduring franchise, but it is also very important to understand what brand really is and what it is not. Brand tells people what you should expect as customers, employees, investors, regulators, or journalists. In the end, you can only create a brand by concentrating on actually doing, not telling, not advertising, not making speeches but actually doing, creating a reality which day-to-day reflects what is important to you. I have seen people try to shortcut the process by marketing a brand that is not consistent with what they actually do, and that, always, in the end, makes the brand worse.

Let me end on what I believe is the glue that binds. It is culture. Culture is what people do when no one is looking. It means that at every level, the bank's risk decisions are based on what is best for the institution. It means people do what is best for the customer, do what is best for TD, not for themselves. It means that people are rewarded for doing good, not looking good. It means that people feel comfortable disclosing the stakes. It means treating people respectfully. I am still astonished in this day and age that some leaders are admired when they yell at people. Is that respectable? Is someone who does that really a great leader, even if it does produce great short-term results?

A great culture leaves prejudice at home. It celebrates diversity, not as a gimmick to attract customers, but because it is right. It serves the broader interests of the community. If those around us are doing well, then we will do well. It celebrates generosity of spirit. People care, care about people individually, care about society, care that others are given credit and grow. It is a culture which makes you proud. You want to say, "I *love* working here. I *love* the people here. *You* would love working here." This is exactly how I feel about my time at Canada Trust and TD. For me, the 23 years since I joined Canada Trust and the 14 years since I joined TD, have been a tremendous learning journey. It turned out that, as long as I listen, was willing to adapt and change, surrounded myself with people who were smarter than me, then the people trained me rather than I trained them.

We have had great success, not because of me but because of the tremendous group of leaders who bled green, bought into the dream, executed well beyond anything that I ever could have done. But the thing I will remember most important are those great moments, those human moments, the good and the bad times that we all shared where we all focused on a simple goal: Do the right thing, and the rest will take care of itself. Thank you very much.

Concluding Remarks by Andrea Wood

Is it any wonder why today's speaker has earned the reputation as a straight talker? Thank you very much, Ed. Ed possesses, as one reporter noted, "the rare ability to explain things so anyone can understand them." But, then again, why would TD's retiring CEO make things complicated when the bank's formula for success boils down to a few simple principles? We learned today about some of them: Find out what your business is good at, and stick to it. Focus on doing the right thing for your customers, and the rest will follow. Help your employees be their best selves, and they will be your competitive advantage.

Yes, under Ed, TD's growth story has created its own set of complexities and challenges. The bank has needed to adapt and evolve over the years, but knowing what to change and what to keep the same, that is the key in building an enduring franchise, something that Ed and his leadership team have done remarkably well. All great CEOs see their role, their greatest responsibility as being to leave the organization in stronger shape than when they first joined. Ed, you have achieved this hands down. Your bank is better for it. Our business community is better for it and so is our country.

Thank you for sharing your intimate and insightful tales of leadership with us today, but, mostly, thank you for being a leader who cares deeply about the people and the communities you serve. Thank you, sir.

As a token of our appreciation, on behalf of the Empire Club, I would like to present you with a copy of one of our historic *Red Books*. These iconic books record every speech for every address delivered at the Empire Club since 1903. Yours will be in it, and we look forward to presenting you with a copy of your own *Red Book* when it is available. Thank you very much.

Before you all head on your way, please, allow me to express a few final thanks. Thank you very much to our generous sponsors, our event sponsors, McCarthy Tétrault, Ernst & Young, IBK Capital Corp. and Deloitte. Thank you also to our VIP reception sponsor, Toronto Financial Services Alliance and our student table sponsor, IBK Capital Corp.

I would also like to thank the *National Post* as our print media sponsor and Van Valkenberg for providing AV support.

You can follow us at Twitter at @Empire_Club and visit us online at empireclub.org. Thank you all for coming. This meeting is now adjourned.

The Empire Club Presents

OLIVIA CHOW AND JOHN TORY:

TORONTO MAYORAL DEBATE

September 26, 2014

HEAD TABLE:

Distinguished Guest Speakers:

Ms. Olivia Chow, Toronto Mayoral Candidate
Mr. Ryan Doyle, Host, The Live Drive on Newstalk 1010
Mr. John Tory, Toronto Mayoral Candidate

Guests:

Ms. Tina Arvanitis, Vice President, Government Relations and Communications, Ontario Energy Association; Director at the Empire Club of Canada
Mr. Doug Ford, Toronto City Councillor, Ward 2 Etobicoke North
Mr. Ted Griffith, Principal, Campbell Strategies; Chief Strategist, The Fixers Group; Vice President, Empire Club of Canada
Capt. Daniel Saugh, QY Rang Regimental Chaplain
Mr. Tim Smitheman, Manager, Government and Public Relations, Samsung Renewable Energy Inc.; Director, Empire Club of Canada
Mr. Michael Wilson, Managing Director, North American Public Transportation and Canada Corporate Citizenship, Accenture
Ms. Andrea Wood, Senior Vice President, Legal Services, TELUS; President, Empire Club of Canada

Welcome Address by Andrea Wood, President, Empire Club of Canada

The candidates have participated in a draw to determine the order in which they will appear on the stage. I will call them up in that order and ask them to move to the appropriate podium starting from the audience's left. First, Mr. John Tory. Second, Ms. Olivia Chow. And Mr. Ryan Doyle. Thank you. Please, join us as moderator. Thank you very much for having agreed to moderate today's event.

John Tory, Olivia Chow & Ryan Doyle

Good afternoon, to both of you. Good afternoon, to everybody in the audience this afternoon. The debate format is pretty straightforward. Both candidates have drawn and John Tory will receive the first question. Following that, Ms. Chow will get a rebuttal to that question, and then both candidates will debate the issue on hand for two minutes.

Also, as part of the draw, Ms. Chow got the first closing argument, so she will make her closing statement later on when we are set to conclude. As I mentioned, each candidate gets two minutes. I hope that both of you will respect that, and away we go.

Mr. Tory, the first question is to you. Most job creation comes from economic growth, and mayors have very little power over that. Even prime ministers and premiers overinflate their influence over the business cycle, and they have far more power than mayors. Yet this campaign has been filled with job promises. Are these false promises, or do you truly feel you can deliver? If so, how?

JT: Well, Ryan—and thank you very much, ladies and gentlemen, for having us here today. I am sorry we have one colleague missing. But I think a mayor has a lot to do with attracting jobs and investments to the city—not so much creating the jobs but attracting jobs and investment to the city. And I think one of the problems of the last four years of division and that kind of thing has been that our reputation has suffered, and that it has distracted the mayor and others on the city council from one of their most fundamental tasks, which is to attract jobs and investment to this city. I hope that one of the things people will focus on as we enter the last weeks of the campaign is which candidate they think is going to be best able to understand the kinds of decisions that businesses are going to make from Alberta or from 905 or from Arkansas or China or India when they are looking around the world at the different places they could invest and create jobs.

Now, what could we do about it here? There is a very definite role beyond being what I view the mayor's job to be which is the chief ambassador and chief sales person. First of all, I think we have to consolidate our efforts and our organizations within the city. We have a patchwork quilt of organizations that are out trying to attract jobs, and make this an attractive place for people to do business.

Secondly, I think we need much more federal, provincial and regional cooperation. It is city regions that are often competing for these jobs, now more so than cities or towns themselves. I have put forward something called a "One Jobs Plan," which uses some of the tax tools we do have in our somewhat limited arsenal to actually create jobs, say, for example, around the Scarborough subway, where Scarborough has not had its fair share of jobs. They are more attracted to downtown, oftentimes, and I think it is time we tried to do things to encourage people—start-ups and other kinds of businesses to locate around the city.

I think we have to look at the regulatory burden, and I have made a pledge to reduce that regulatory burden in a targeted way so that we can make it simpler for people to do business with the city. We have to look at taxes and continue to make sure this is a favourable place for business to be located from the standpoint of taxes. And I would continue with the program that has started to take a little bit of the burden off business in terms of our taxes, and, finally, build transit which connects people to jobs.

RD: Ms Chow, the same question to you.

OC: Yes. I believe the city government has a role to play in three areas. Number one, we can create jobs by making use of our capital budget. When we are investing in infrastructure, for example, we can leverage that money and say to the big corporations that are actually doing businesses with the city of Toronto that they would sign a Community Benefits Agreement. Any big contracts that are over $50 million and that together we can create 5,000 jobs in the next four years. This has been done extensively in the States, this Community Benefits Agreement methodology. It has been done in Vancouver when they built the Olympic village, where they created a lot of local jobs. It has been done in the City of Toronto when Regent Park got revitalized. Five hundred jobs were created for young people and some apprenticeship programs there, too.

Number two, in terms of how we can create jobs, is we can sell the city a lot better. Right now, when we promote ourselves outside this country, we speak in very many different voices. I plan to bring everyone together, form an agency called "Global Toronto," where the Toronto Economic Development Division and Investment Toronto would come together with the Toronto Region Board of Trade, the Financial Services Alliance and different GTA mayors. We can come together and sell Toronto with one voice. I saw that happening in Vancouver when I represented the city and Canada in Beijing, and I saw how the Vancouver mayor did it. We can do that, too.

And, thirdly, we can keep property tax low for small businesses, cut red tape for them and help small businesses flourish, especially, when it comes to newcomers. They can start their business a lot easier. That would create jobs also.

RD: Now, I am going to give the opportunity for the two of you to debate that issue.

OC: Mr. Tory, I would love to see an actual commitment of the number of jobs that you would want to create. It is important to create a target because if you do not have a target, it is hard to say that, you know, in four years' time, I would be able to support a certain way. Would you actually support the Community Benefits Agreement, which is happening in Alexandra Park now, for example, with the Tridel? It is something that has been proven to work. Would you join with me and say that, "Yes, this is a good plan and, yes, we can create some jobs, especially, for young people."

JT: Let me just say two things. First of all, you measure these things by virtue of the job that the government itself is going to mandate to be created or the government itself is going to create. I look at it a bit differently, and I look at that as a part of it, and you know that I have said, for example, that with respect to the City of Toronto's leading youth employment program, I will double the number of companies, not in four years but in one year, that participate in that program. And that, of course, will dramatically increase by hundreds of positions each year—the number of kids that are helped by that program.

But, you see, I am looking at this a little differently than you are. I am looking at this as something we have to do to attract new people to come here from around the world and from around the country and from around the region, and I think the big stifling hand of government that you are going to lay on a lot of things in order to try and get that done is actually going to have a counterproductive effect.

I think we have to make this an *attractive* place to do business, and I think a lot of the stuff you talked about is going to cause people to pause and say, "I'm just not so sure I want to go down there and get involved with more and more of these kinds of programs you have that involve more people filling out more papers and accounting to more government bureaucrats."

OC: Mr. Tory, allow me to just—so you are saying that you would not support what Metrolinx is doing, what Daniels Corporation is doing, what Tridel is doing—that you are going cancel all of these very successful models because you do not want to see it happening because you know that—

JT: Go ahead.

OC: Why would you say no to something that worked—

JT: I am not saying no.

OC: —in this city?

JT: I am saying that you are—

OC: Especially, the Toronto Community Housing Corporation?

JT: I am saying you are…

OC: It is something that is proven to work.

RD: Finish your last thought, but time is up.

JT: All right. I am saying that you are a one-trick pony that says government does everything.

OC: Oh, that is—

JT: And I am saying that what we have to do is we have to create an environment here in which people from around the world are going to want to come here and create jobs because they find this an attractive place to do business. And, no, I would not cancel those things, but what I would—

RD: Ms. Chow, the next question is for you, and we will have more of an open debate as we go through here. The second question is for you, Ms. Chow. A newly released report from RBC shows that 81 % of people across the GTA—be they downtowners or suburbanites—want to live in a walkable, transit-friendly neighbourhood. In fact, they would be willing to live in a smaller home so they could be part of a community served by rapid transit. What will you do to combat gridlock and make accessible transit a reality, and *how*, specifically, will you fund that plan? Two minutes to you.

OC: Thank you. I have been very clear and honest about how I would build transit in this city. Faster, cheaper, better transit now. Let us start with the downtown subway relief line. The LRTs that we have spent four, five years studying. There are three lines, the Finch, the Sheppard, and the Scarborough one. Let us start the construction now because they are ready. They have even signed the contract with Bombardier to purchase the trains. Let us do it, now and let us invest in bus services so that we can see immediate improvement now.

And, of course, the province is going to electrify GO trains, so it is a comprehensive model. It is designed by experts and other newspapers like the *Star*, which said it is the best plan of all the candidates. And I am very honest about how we can pay for it. Yes, through property taxes but also through a bit of increase in the land transfer tax—one percent point for those that are purchasing a home, a condo, that is more than $2 billion. I have been very clear, and I think it is important that Mr. Tory and Mr. Ford be very clear and start being honest to people. We cannot build public transit; we cannot improve public transit without actually paying for it, and that is the public transit part.

And, lastly, on the question of a better traffic plan, let us ask the construction companies and the developers that are blocking lanes to do construction. Give them a graduated feed. The longer they block the street, the more we should charge them. Right now, it is a flat rate. There are no financial incentives for them to open the lane faster. Let us do what Chicago does, and we can do that by asking them to not have a flat rate. That is a city policy that I would use that would clear up the traffic a lot faster.

RD: Mr. Tory, same question to you.

JT: Well, I think we have to start by getting traffic moving, and, you know, there are a lot of public transit vehicles sitting in the very same traffic jam that a lot of people are sitting in and a lot of trucks trying to business. And I put forward a list of I think ten or 11 or 12 common-sense measures, most of them, frankly, drawn from city reports that have been written and not acted on—things like coordinating construction. It does not take a genius or a lot of high technology to put together a simple spreadsheet that loads into it the Blue Jays schedule, the construction schedule, the marathon race schedule, the TTC repair schedule and so on and have some red flags get kicked up when there are things that are going on all the same time. It does not take too much to enforce the law so that you do not have trucks, delivery trucks and shredding trucks and all kinds of people parking in lanes of traffic at rush hour and blocking hundreds and hundreds of people from going about their business.

The second thing I would address after the traffic, and, as I say, I cannot really list all those measures now that are in my platform, but the second thing is address the reliability of the existing service. I cannot tell you how many people tell me across the city about sitting on subway trains that are stopped, and they do not understand why—or that are waiting for a bus for 12 minutes, and then three buses come all at the same time. This is a management problem, and I think we have the skills in place with Mr. Byford to get it done, but if he needs more tools, then we should darn well give them to him, so we can have a reliable system.

Thirdly, I would build the Scarborough subway. I would build the Scarborough subway. It will be a good long-term investment, and, importantly, I think, ladies and gentlemen, all three levels of government have agreed it should be a subway and put up their money—and, in this country, they hardly agree very often on what day it is, all three levels of government. I would get on with it whereas Ms. Chow will reopen that discussion and re-decide and re-debate it, and we will do what we do so well in this city which is nothing because we are sitting around re-deciding and re-debating.

And, finally, SmartTrack. We should have been building one subway every year for the last 22 or 25 years, and we have not done it. This is going to give us a chance to have 22 new transit stations, trains every 15 minutes by and large on existing GO train tracks. It just makes sense.

RD: We are going to allow for two minutes of open debate on the transit issue.

OC: Mr. Tory, you are asking people to wait at least ten years before we see any transit improvement. You will not tell people how many houses, the libraries and the community centres around Eglinton and Weston, where your tracks, where the GO train does a dramatic 90◦ turn, and you would not tell people how many kilometers of tunneling this track would take and how much money would it take because you first said that you would not do any tunneling. You said that it does not require any going underground. Now, you said it does, and then you will not say how many kilometers because, last I checked, one kilometre of tunneling is about $300 million, and that $8 billion price tag does not include any tunneling cost. So how many kilometres do you need to tunnel, and how much extra money would it cost?

JT: So, Ryan, I do not want to interrupt Ms. Chow, and I think that is up to you. She is now used half the time, so will I get the other half?

RD: Feel free to have the other half.

JT: I will have the other half. Okay. You just used half the time, and I will use the other half and, you will let me speak. I have let you speak uninterrupted.

OC: You tried.

JT: I mean this is what you do, and you try to find all kinds of reasons not to do something and to say, "Well, you know, this is impossible. There might be some solid rock we will find." You know what? If it was you building the Yonge Street subway in the 1950s when they hit, as they did, a huge patch of solid rock, you would have given up and just said, "It's okay. People can walk down Yonge Street." They did not give up, and I am not going to give up on SmartTrack because it is urgent. We have put off doing something for 25 years. This is going to provide 22 new stations of transit in seven years, not the 17 of what Ms. Chow talks about. Seventeen years. She will tell you about a bus plan. She was alluding to it. Well, ask her how she reconciles what she is saying about that bus plan with the fact that the head of service for the TTC says there are no buses. Do you believe a politician, anyone, including me versus the guy who is in charge of the buses at the TTC? I do not think so.

OC: Well, Mr. Tory, you did not answer the question. You notice you did not say how many kilometres. You did not answer the question at all.

RD: You both had a minute on that issue, so let us switch to question three. John, this question is for you: In the final meeting of city council this year, there were motions and debates over issues like regulating energy drinks, e-cigarettes, a call for a national inquiry into missing and murdered aboriginal women and a proposal to make the words of the national anthem more gender neutral. In your mind, are these municipal issues, and would you refocus the city's priorities as mayor? Your time starts now.

JT: Let me say this. I would not sort of say all those kinds of things should be excluded. I think City Hall is sort of the essence. It is the heart of democracy of our city, and there are times when those kinds of things where the city has to have a voice, but I will tell what concerns me more in a way about that very same meeting. You probably read at that very same meeting that, in that one single meeting, they approved 750 stories of new development. Now, I am not saying this is a bad thing in and of itself because it shows people want to invest in the city. It shows that we are growing as a city because we have to grow. There are 85,000 people, thank god, coming here from around the world seeing this as a beacon of opportunity.

But I am asking myself when you were taking the time to have the debates about all those different things that you mentioned, at the same meeting as you were approving 750 stories of new development, were you spending enough time asking the questions *What about schools? What about parks? What about transit? What about hydro? What about sewers? What about recreational facilities? What about libraries?* And so I think what we have to do is spend more time focusing on getting people results because what we do in answering those questions is we ask them, and then they are often answered by sort of saying, "Well, we'll deal with that later."

And, of course, I think what that has ended up creating is a city that is still a great city, but if we want it to stay great we are going to have to answer—ask and answer—those questions at the same time. I think what people want to see—they would be happy, I think, Ryan, to see us having all kinds of debates on resolutions about the national anthem and all those other things if we also, at the same time, produce results, so they got transit, and jobs were attracted to the city, and programs were put in place for kids and families, and affordable housing was getting built and all those different kinds of things they expect from their city government. But they have not been seeing that. What they have been seeing—and I think this is the clear choice you have, ladies and gentlemen—is they have been seeing chaos and division, not even because of those resolutions but because of the leadership style of the Fords. And that is the real question I think people have to answer: Do they want four more years of that chaotic, divisive leadership style, or do they want a breath of fresh air at City Hall that gets results?

RD: Ms. Chow, same question to you.

OC: I believe the City of Toronto should have a policy on whether there should be an inquiry for murdered and missing aboriginal women. Absolutely.

And I do not shrink from that. In that report, in that final council meeting, was also a very important item. The TTC, the Commission, unanimously said that they want to make sure that the services, whether its buses or streetcars, can be improved immediately, and there was a massive plan. Mr. Tory said, "Well, they shouldn't have approved it." I do not agree. City council did not agree. What city council did was say that we have to restore the bus services and the streetcar services that have been cut in the last four years because Mayor Ford stood in front four years ago and said that he would cut the gravy. Instead, what happened when he arrived was that he cut the TTC budget. As a result, TTC fares have gone up. People are waiting longer for their buses, and it is more packed like sardines, and people are being left behind. In this election, neither Mr. Tory nor Mr. Ford would commit to invest in TTC's operating budget immediately so that we can reverse those cuts so that we can immediately get improvement.

Now, all the schemes that we talked about and that Mr. Tory and Mr. Ford talked about takes at least ten years to materialize. What is going to happen in the next ten years? Whereas my plan was very clear that the LRT construction, for example, can be done by 2020, which is a lot faster than ten years. So I am so glad the city council unanimously said that we have to invest in public transit right now, and that is the right way to go.

RD: I am going to open this up now to debate.

JT: So let us talk about that report because I think you have mischaracterized what happened. In fact, what I said was—this is a report, by the way, ladies and gentlemen, that involved a total expenditure and investment of $500 million. What I said was that report has to go to the budget committee because, to me, this is part of the problem in government today—all governments but including at Toronto City Hall. You cannot just put a tick mark as Olivia will do beside a report and say, "Yeah, I'm in favour of that," when it is $500 million without knowing where the money is going to come from, and so I said it should go into the budget process where they make all of the allocations with the long list of things that people have to decide upon. That is what you are elected to do, and so that is exactly what I said. I did not say I opposed the report. I said we need to know where the money is going to come from as opposed to Ms. Chow, who stands here right today and says to you, "Tick it off. I'm in favour of that report," without having any idea whatsoever as to where the majority of that money is going to come from.

OC: That is not true. I was very clear. I said earlier on that the land transfer tax, the extra 1% point, right? But Mr. Tory, when you mention $500 million, you are adding both the operating capital budget, and it is not just about one year—

JT: That is because money is money, Olivia.

OC: —no, the first thing that Mayor Ford did was to cut the operating grants, right? And you went, and yesterday you made a promise of $20 million on some environmental—

JT: Twenty-two million, actually.

OC: —on the trees. You promised all this money. You make these promises. You did not say where the money is coming from. You are not even promising a single penny of improvement.

JT: Here is the difference.

OC: Let me finish. You are not promising one single penny to go into the public transit area. How could you do that? How could you say that to those people that are left behind?

JT: The promise I made yesterday was to invest $22 million in smart energy monitoring, real-time energy monitoring equipment to be put in every single city building. We spend $250 million a year on energy. The savings will be 10%. It will pay itself back in no time. That is where the money is coming from. That is smart business.

RD: That is time on this segment, and the next question is for Ms. Chow. Ms. Chow, a recent stabbing at North Albion Collegiate Institute left a young man dead and left a lot asking what should be done to prevent this from happening again. Since the murder of Jordan Manners who was shot at his school in 2007, changes in high schools have included more student supports, breakfast programs, resident police and security cameras. Do you feel those measures are enough, or can more be done?

OC: Ryan, thank you for that excellent question. I was hoping that would come up. At the time when Jordan Manners was killed, I said very clearly that we need to invest more in after-school programs and food programs for children. I am glad we took one step on it, but it is not enough. It has been working because the youth crime rate has dropped. We know that it has dropped, but one murder is one murder too many. So, in my plan, I have said that what I would do is to increase after-school activities for children by hiring young people that are role models in their community. They can then teach children a skill so that they, too, can be the role model, and that we have seen work in many places. We need to expand that so that our children would not become latchkey kids, so they grow up smart and strong and stay out of trouble. We need to do a lot more than that. We also know that when children are hungry they cannot focus. If we provide better food programs for children—and I pledge to make sure that at least 36,000 more children can have good food programs in school—then they can be smarter. They can learn better. They can do better in math and reading and science. We know that. So all of those things. Of course, we also need to support the police so that there is a presence in the community. With all of those things combined, I am sure we can see a continual decrease of the crime rate in Toronto.

I also want say one more thing. A lot of young men feel picked on if their skin colour is black or brown. We need to end racial profiling because that is so important. It hurts the psyche. We need to make them feel that they are not a criminal. So I think we need to stop racial profiling and also stop carding, and that would really help in those communities.

RD: John, same question to you.

JT: I think all of us in the city find racial profiling unacceptable, and it should not be any part of anything we do anywhere in the city. I wanted to say that I cannot imagine a more unspeakable tragedy than for a parent in our city, any parent, anywhere to lose a child in this kind of an incident. And I cannot imagine a place where people would find it less likely to happen than in the schools. I think everybody thinks our schools are supposed to be safe, but I think what we have to start on with this more so that anything else is with some honesty. I think that my experience in civic action and for years before that in these communities talking and more importantly listening to people suggests that we have not yet been honest about the fact that there are pockets in the city and that they are populated to a greater extent than other places in the city by people whose skin colour is not white but is maybe black or brown or by people who did come from somewhere else. They may be more likely to be single moms and so on. I think we have got to have an honest discussion about that and recognize, as a community, that that is a reality and that sometimes those people in those communities are facing struggles that are not the struggles that form part of the record of other peoples' lives in the city.

Then I think it is, yes, a matter of government showing some leadership. I think right now what we have got is government showing lots of leadership but in a very uncoordinated way where you have governments of all levels all over the place doing things that in and of themselves are good but are uncoordinated. And best practices have not been adopted. I think that we have to take that government leadership and use it to engage people, more so than just people working for the government. We have to engage people in businesses. I think that where the opportunities are going to come from for a lot of these young people in particular is in small and medium-size businesses where it has been difficult for them to engage themselves and difficult for us to engage them in this task. I have been very much personally involved in doing this as a private citizen for the last number of years.

I think what we have got to do in order to have government be able to provide that role of leadership is, yes, invest city monies from taxes that we take from commercial and property taxpayers but also go and get our fair share of the provincial money that has just been allocated for this purpose.

RD: That is time. It is time for open debate on the issue of school safety.

OC: Folks, you would have heard that Mr. Tory has not given any concrete suggestions whether it is for after-school activities and any activities for young people. I think we need to invest. We also need to make sure that parents spend more time with their kids. That area is Rexdale. Right now, to get from Rexdale to anywhere takes hours, and it is not fair that we would not build the Light Rapid Transit. I am the only candidate that said that let us start building that Light Rapid Transit right on Finch right now so that those parents, all the young people that want to travel, let us say from Keele to Humber College, would be able to save half an hour per day, and the parents can spend more time with their kids. So, Mr. Tory, why would you not build that Light Rapid Transit right now because, previously, you said you wanted to wait until the SmartTrack is done, and that is ten years.

RD: Ms. Chow, allow him to answer.

OC: Why not build the LRT right now on Finch?

JT: Okay, so we have had half the time, so I will take the other half. That is fair. Okay. So what I have said, again—you have mischaracterized what I have said. Perhaps, you did not understand, but I have said I will build SmartTrack, yes, and I am going to get on with that right away because it is urgent that we do so we will have city-wide relief, 22 new transit stations in seven years, and it is going to provide relief for the entire city. It will get a lot of cars off the road and do a lot of good connecting people to jobs. And, you know that that schedule coincides roughly with the schedule of the building of the Finch and Sheppard LRTs, which I said I would proceed with that work, so I am not waiting, and you, absolutely, know that is not true, what you said. I am not waiting. I am getting on with both, but I have said my work plan has to be to get in and get SmartTrack going because it is a newer idea consistent with provincial policy, which is going to electrify the GO train tracks, and I will do both at the same time.

I think one of the things we could do that would not contribute to helping traffic or helping families for that matter is to pour more people on these new LRTs into the same Yonge Street subway line that is already overcrowded before we get SmartTrack in place at the same time that is going to provide some relief. It just makes sense to me, but I am not altering the schedule. I am saying I will proceed with it as scheduled.

RD: That is time. I am just going to ask that during the next open portion of debate you guys can talk to each other if you like, and you can have a debate with one another. Just want to encourage that.

John, this question is for you. A forum research poll of Torontonians conducted last year revealed strong support for council term limits. Some 61% supported a term limit for mayor, and 58% supported a term limit for councillors. Do you think there are too many career counsellors on council, and would you put an end-date on your own term?

JT: Well, the answer to that question is I am concerned about the same thing, and I am concerned about, frankly, in the corporate world, too. I think that if you serve too long in a given position, no matter how smart you are or how good you are, you are no longer going to be as likely to be an agent of change or a person who is as able to adapt to change because I think human nature is what it is. You get settled in. I can tell you right now—and my wife, Barb, is sitting here—I think that if I serve more than two terms as mayor, I would find myself after that period of time living in a small apartment by myself. And that does not seem to be a very appealing prospect to me, especially, living alone, and so I think that it is a good thing to have turnover in these jobs from time to time. I think that the public, generally, make decisions about that in a fairly wise way when they think people have had their time, and sometimes they do it after four years.

If you ask me, when I was asked this 11 years ago when I ran for mayor, I said, "No, the voters decide when people come and go from public office," and I, generally, think they are pretty good at that. I think what happens, very simply, is that people who get settled in to their whole life being in public life begin to realize there is probably not much else in some respects they could do, and it is not their fault. They are away from teaching or law or computer science or this or that for a long period of time, and sometimes you cannot go back. But I think there is no question that that then begins to affect the way you make decisions because your concern is about self-preservation in an office, and I think that has got to be a bad thing, so I am more open to the discussion.

I think we should have a much broader discussion about issues of our democracy and how it works because the public are talking about this, too, and they are talking by not showing up to vote. That is how they are saying, "We don't think this system is working very well," so if you said am I open to that conversation, yes. Will I have a term limit imposed on myself by self-imposition? Yes, and if I was slip-sliding on that, Barb would make sure that I did not backslide.

RD: Ms. Chow, same question to you.

OC: I think experience matters, and we are dealing with a $12 billion corporation, and it is a very complex organization. Sometimes it takes a bit of time to have a complete understanding on how this system works, and I have watched some of the councillors, and I will even name them. If you look at council, Pam McConnell, she has been pushing to have a new community centre in St. James Town for many years. So a few years ago, she finally got it done. It is not because she did not try. She tried over and over and over again. It is difficult to get all the funding in place. And she wanted to revitalize Regent Park and, it took many years, and it took a lot of work, hard work, bringing different people together. Finally, we are now seeing the impact of this revitalization, and we are seeing the jobs being created there. So having experience, having that kind of passion and commitment—some things, especially, municipal government takes quite a while to get accomplished, and I do not believe there should be a term limit. There is no term limit in the federal member of parliament or the provincial arena. Why on municipal governments? So I believe experience matters. When people are not accomplishing anything, then the voters would then make a decision and say, "Ah, you have stopped being effective, then we will not re-elect you."

And I have seen councillors—Howard Moscoe is another one. The kind of work that he did in TTC was phenomenal, and so there are people—they eventually retired. Mike Feldman. There are a lot of councillors that have done a lot of years and phenomenal work, and I do not believe we should set arbitrary term limits on them.

RD: I will open this to actual debate.

JT: I think what happens here, though, with some of these—and I am not referring to any individuals, but I will refer to two but not the ones you talked about. But it is that after you have been there for a period of time, yes, you have been around, but there also sets in I believe in my heart of hearts a certain sense of entitlement to be there, an entitlement to make these decisions, and I think exhibit one is what you see with the Fords, where they not only think they are entitled to sort of be there, but they can kind of pass the offices, these offices around within the family. I do not think that is right.

But I would put this question to you: If experience is everything, then with all the people that have been there all those years, some of which you did refer to, how come everything is in such a mess today?

The traffic is a mess. The transit is not getting done. We do not have the jobs. Affordable housing is not getting built.

RD: Give Ms. Chow a chance.

JT: If all those people that have been there all those years, how come all those experienced people cannot get anything done?

OC: We got into a mess because four years ago we were told that you can get subways by not paying a penny for it, okay? That is actually what happened. We are seeing it again four years later. When Mr. Ford and Mr. Tory say, “Ah, don’t worry. We’ll build you something. Subway, for one. Tracks on the other, and don’t worry: You don’t have to pay a single penny, and somehow it will magically appear.” And, you know, the voters four years ago made a mistake, and that is why we are such a mess.

JT: But Olivia, how can you have it both ways? On the one hand, five minutes ago, you were intensely critical of the funding tool that I have set out to pay for the transit, and you said it will not work, and it has not work here and there and so on.

OC: That is right. It is the same tool as Mr. Ford.

JT: Now, you are saying that I have said subways are free or transit.

OC: No, no, it is the same; it is the same.

JT: I have spelled out how I would pay for it. You do not like it.

OC: Because it has not worked anywhere else.

JT: You are pessimistic about that and a lot of other things.

OC: It has not worked in New York. It has not worked in California.

JT: It worked a million other places, and it will work here because we will make it work. The city is going to grow, and you know it.

OC: Eighty-nine percent failure rate in California.

JT: I do not know where you get those numbers. I think you make them up.

OC: And it is the same idea, same policy that Mr. Ford used four years ago.

RD: That it is time.

OC: It did not work for him. It will not work for you.

RD: That is time on that segment. Olivia, this question is for you: A report this week suggests that Toronto has bucked the national policing trend over the last few years. Other cities have hired more officers. Toronto has seen their police rates decline while, surprisingly, crime in the city has dropped by 41%. Given that fact, do you believe more police officers are the answer to keeping our city safe?

OC: No, not *more* officers. We do need officers, and I thank the men and women that keep our communities safe. They service us and protect us, but I do not think we need to increase the number. What we do need is to make sure that there is really community-based policing by bringing the community and the police together.

Secondly, we need to have a police that reflects the people they serve. That, too, is very important. And, thirdly, we have to say to the police that their budget is too large. We have to find a way to contain it, especially, the overtime budget. I believe that there should be less paid duty officers and that if we move and change the shiftwork that we would be able to lower the number of officers that need to do overtime and that when we need the officers the most, which is around the time when schools get out, from about 3:30 p.m. to about 5:00 p.m., that is the time a lot of crime happens. So we need to make sure that there are officers that are around at that time. We do not necessarily need to say to them that they should be doing it overtime.

So there are different ways in working with the police. I have done this before. I have been able to contain the police budget so that we have other funds to invest in children and young people and public transit, for example. I have the experience to deal with the police budget, and I also have the courage to say no when the request is not reasonable but also say yes when it is a smart investment. I pledge to you that is what I would do with the police and also on the policing relationship with the communities.

RD: Mr. Tory, same question.

JT: First of all, I would like to make it very clear, and I have stated it many times before: I would not reduce the size of the police complement, the number of police officers. I think it is one of the reasons why the crime rate is down: Because we have been able to deploy police officers in the community and have police officers on the spot. I think criminals naturally stay away from places where the police are, and police have been able to forge a better relationship, and I think Chief Bill Blair has done a good job. It is progress but not enough as yet but a good job at making progress, on making the police service more representative of the community that we live in.

But I think we do have to look for better policing, and I would point out to you when people will declare to you they are going to change the shifts and they are going to change this or they are going to change that, those things are part of a collective agreement that is reached between the Police Association and the Police Services Board, and so those things are not going to be mandated by the mayor or any member of the Police Services Board. They are going to be negotiated, and I think you are going to have to ask yourself who you want to send in to do that job because those things do have to be done. We do have to change some of those working conditions to make more effective use of the police officers we have. Less time standing beside construction sites—people tell me about seeing this every day of the week—and more time able to actually do real police work that they are trained to do. Less time in court. We need some cooperation from the province on this. There are immense numbers of police officers spending immense hours in court. It is not good, productive time. A lot of the time they are just sitting, waiting. Those in the room who use the courts for one reason or another know that. So these are the kinds of things we have to do, and I think that it is something where we are going to have to have the determination to do it and the relationships to do it because it is going to be—a lot of it is going to be a matter of, yes, being firm but also having the trust of the different parties involved to make sure it happens because we do have to constrain the growth in the size of our emergency service budgets because they are much like healthcare in the provincial scene, taking up an increasing share of limited resources.

RD: That is time on that segment. It is now time for debate on policing.

OC: Well, I have said very clearly that when elected as mayor, I will sit on the Police Services Board. I will work together with other city councillors that are on the board and the appointees from the province and work together to make sure that the policing that we have are community-based.

Would you, Mr. Tory, sit on the Police Services Board, and do you think the budget is too large? And, if so—yes, of course, we need to negotiate with the unions—would you actually be involved and give direction to say that the union contract at this point needs to be changed, and what area would you like to change?

RD: Let him answer the questions you have asked.

OC: The compressed work week is too much, and that is an area that we need to change.

JT: To answer your two questions, first of all, I am not sure whether I would put myself on the Police Services Board or not, and I am not making a lot of those kinds of decisions before I get elected. I think that may be a bit presumptuous, but having said that, I will make that decision. I would hope that when I get there I would have a better sojourn in there than you had that last time you were there when you had to resign.

But, having said that, I would like to then get on to the second part of the question which is with respect to the budget. The mayor, of course, does not instruct the police chief or the Police Services Board. I would certainly set out the expectations together with the members of city council and the budget committee as to what we have to do to, I would say, constrain the growth in the Police Services budget, and I would leave it to them in their negotiating process to achieve what we need set out, and I have suggested ways in which I think that can be done. They are really not much different than what you have said. It is just that I have acknowledged the fact that that is going to have to happen as a matter of negotiation.

OC: Let me address that question. I had the guts to stand up to the police and say that it is important to de-escalate a situation.

JT: You tried to tell the police what to do at a riot going on a Queen's Park!

OC: I had the guts to speak against the police.

JT: You know those are the facts. They are on the record. It was a disgrace. You had to resign.

JT: They were throwing bottles at Queen's Park and throwing sticks and stones at people.

OC: I had the courage to do so, and I am not sure you do.

JT: That is why you had to resign.

OC: I am not sure you have the courage.

JT: It was wholly inappropriate, and that is why you resigned.

RD: Our time is up in that segment.

OC: Not true.

JT: It is part of the history.

RD: The second section of today's debate is actually questions from the audience this afternoon that is gathered here, both from Twitter and from e-mail, and we are going to start with the first question out.

John, this question will be to you. How do you plan to work with the federal and provincial governments to actually get your platform implemented, especially, on transit where those commitments are necessary?

JT: Well, I think this is a vitally important question because I think one of the things that people are going to be judging when they make their choice on the 27th of October is who do they think between and among Mr. Ford, Ms. Chow and myself, is most likely to be able to get the support and the results we need. And I go back to sort of first principles on this. What we have allowed to happen—and I say we have allowed it to happen as a city, and, to some extent, the province has allowed it to happen within the country—is the other governments to back away from or just stay out of areas that are vital areas of public investment in the country's biggest city, the economic engine of the country, the country that is bound to have the most complex problems because of its size and diversity and so on. And I think there are things like—not limited to—transit, affordable housing, and infrastructure, and what I think is going to be vital in the four years ahead is who is going to be best able to go and convince them to do what I think they should do.

The way I articulate it is that we should have in those areas a ten-year contract with them ideally involving all three levels of government where instead of this kind of ad hocery that goes on where you never know. And I do not know how if you do not know whether you have got the money you can ever plan anything. You do not know whether they are going to fund this transit project or that one or this affordable housing development or that one, or whether they are going to be in on Monday and out on Wednesday. And I think if we have—if they have the confidence in us that we have the kind of government administration where we have got our act together and we are acting in a sensible, competent, accountable way that we have a plan to take forward with respect to transportation and housing and so on, then I think we can convince them to do that.

And I think one of the things people are going to be asking is given we are dealing here with both the Harper majority Conservative government in Ottawa and the Wynne majority Liberal government at Queen's Park and the city council, which person from among those on offer is most likely to be able to get all of those people to work together to enter into those agreements to provide that funding to actually get results for the people on transit, on housing, on infrastructure because that is what people want? It is back to the beginning. They want results.

RD: Ms. Chow, same question to you.

OC: Experience matters. When I was a Member of

Parliament, I worked closely with the Federation of Canadian Municipalities and Big City Mayors' Caucus to push for the gas tax from the transfer from the federal government to the city. We now have five cents on the permanent transfer of this gas tax. We need more, absolutely. We also said that we need to make sure that it rises with inflation, and that was a year-and-a-half's, two-years' campaign, and we were able to have the gas tax rise with inflation so that we get a bit more predictable, long-term funding. We need a lot more. It is never just being ourselves alone pushing. We need to work with other city mayors, and I have the experience to do so, and I have a record of delivery.

One other area in the federal government is that I have worked across the aisle with the minister of immigration at the time to crack down on crooked immigration consultants, and we were able to have the bill passed through, and, again, you know, the minister at the time in his introduction of the bill thanked me for the work.

In the provincial government, I have also done it. I started a children's nutrition program when I was school trustee, expanded it across the city when I became the city councillor. Now, it is a provincial program. It is across the province, and the city has now has partnership with the province where the provincial government provides funding support on this very excellent program. I gave done it before. I know I can do it again, and, absolutely, experience matters.

Now, Mr. Tory said that it is about relationships. It is not just about relationships. If you look at the track record, when he was in Queen's Park, I have not seen anything that was beneficial to the City of Toronto being delivered, and that is not good enough. Track records matter. Results matter. I have the experience to get things done and work with the provincial and the federal government.

RD: You will now have two minutes to debate the issue of relationships with other levels.

JT: One of the elements that I think has been missing today because there is a person missing is something that I think people really should focus on in this election campaign and when it come to those kinds of relationships you talked about because I think it starts with relationships with the city council and then goes there to relationships—not only with the other governments but also with the business community, with unions, with non-profit groups and so on.

We have in Doug Ford a person who referred not long ago to the city councillors as "monkeys." He indicated his desire was so strong to have the mayor's job which he was not seeking at the time that he said, "The sooner he could get out of town and go to Chicago, the better." Now, he is a candidate for mayor. He told the premier of this province to "grow up." I do not really think that kind of approach is going to work very well when it comes to dealing with what you talked about, and I think people have a clear choice in this election because they know in their heart of hearts, I think, that we have got to get those governments and the city council working together, bringing them together. We have got to get those other governments on side and all the other players. And that the kind of approach that calls people "monkeys" and tells premiers to "grow up" is just not going to work.

OC: Mr. Tory, may I come in?

RD: You can step in here. You can have the other minute, Olivia.

OC: Right. The other minute. Mr. Tory, when you had your best chance, when you were the leader of the Conservative Party at Queen's Park, you said that the provincial Liberal budget was too "Toronto-centred" when in fact Toronto was receiving too much money. With friends like this, who needs our enemies, right? And also when you have a chance, you said that in your election platform that you want to ship 5,000 jobs, 10% of the jobs, to outside Toronto. That is 5,000 jobs you want to ship out there because you think that other small municipalities should benefit. You know, what you have shown in the past is that when you had the position of power, when you were able to be at Queen's Park, over and over again you did not deliver any results for Toronto. You did not stand up for Toronto, and that is your track record. I consistently stand up for this city. That is what we need as a mayor.

RD: That is time, Ms. Chow. Our second question from the audience this afternoon is directed to Olivia Chow: What will you do as mayor to promote the financially strapped arts in this city? And they give some examples here: Visual art, dance, music, Canadian books and films.

OC: That is an excellent question. As a visual artist, I have always thought that the arts give us a sense of identity, bring us together and lift us up, and it allows us to see the world and our city in a different place. We are from many different parts of the world, but the arts allow us all to live together in harmony. It allows us to bring all our cultures and heritages together and connect with each other and create something beautiful and new. That is what the arts can do, and I have always supported the arts.

In this election, I pledge that we would increase the Toronto Arts funding to $25 per capita. We are way behind Montréal. Montréal is $55 per capita, and the money that we can have is through the funds from people that put up the billboards; if the billboard funds can just rise with inflation, that would produce the funds for increasing the grants in the Toronto Arts Council.

I would also start a commission, a mayor's commission for public art. There are a lot of very, very generous donors that want to purchase art, and this art can then be put into public spaces, like parks. We can then take that beautiful sculpture. We can put it in this park, and we would be able to also provide some enjoyment for the people. It is good for the donor. It is also good for the city.

Lastly, I believe we need to make sure that all neighbourhoods can participate. There are a lot of artists that cannot afford to live in this city or in an area that they want, so we need to spread the art outside to as many areas as possible to all across the city and make sure that artists have enough funds themselves and a place affordable to live.

RD: That is time. Mr. Tory: Same question to you.

JT: Well, I am very committed to this sector both because I think it is an important sector for us to be able to express ourselves, and I think it brings us together in many respects and, also, it is a *huge* industry. It is a huge industry if you add up all of the different jobs that exist in all the different aspects of the arts and cultural industries across the city. So I think there are a number of reasons to be very supportive of it.

And, by the way, I think the $25 target is getting close to being achieved. It is helped along by the existence now of the billboard tax that was put in place, and I think it will get us there. But I have said in my own arts and culture platform that I am willing to look at other ways to move us there and then to move beyond that because, in fact, while we have been waiting, I think, the $25 target was set when I was running for mayor 11 years ago. Only just now are we getting close and, in the meantime, as Olivia said, some of the other cities have moved to much higher targets, including Montréal and others. I think part of what we are going to have to do in order to both find the source of funding and also to sort of take full advantage of this in every respect is to connect the creative economy to the creative sector, and I think that is going to be an effort we are going to make because the two are very much interlinked in terms of the economy of the city.

I have said I would establish a music office. Music—as film did 25 years ago—represents a huge opportunity for us to grow. We have a huge embedded music production and performance music talent base here, but what we now have to do is turn ourselves into music city because Calgary is out there saying they are going to do it.

The last thing we want to do—because there is a lot that goes with that in terms of, again, both cultural activity but also economic activity—is to look at spaces for arts. I mean there are just not the spaces now where a lot of artists can do their work. We have all kinds of vacant storefronts. We have seen them in different places now with the ebb and flow of the economy. We now give a rebate to people to take account of the fact that those stores are vacant. We should be looking at better, more creative ways, including with arts, to deploy that.

And last but not least, I am a big supporter of the Block by Block local arts initiative undertaken by the Toronto Arts Council which tries to help take art to be more local. In other words, encourage grassroots art.

RD: That is time on that issue. You will now have two minutes to debate the issue of this culture funding.

OC: I talked about finding space for artists, whether through Artscape, which is a very successful organization, and we can provide some support for art spaces such that if there are spaces that the City of Toronto has, we can use some of those empty places so Artscape can establish—and I worked very closely with them right at the beginning when they were looking for a space. At the time, I was a city councillor. I said to Artscape that with one dollar a year, they would be able to use the Gibraltar Point which is the old island school. And, from there, they were able to establish one of the first artists places where they could practice. We need to do a lot more of that, and we also need to create some affordable housing because artists, by and large, are not—their income level is quite low, so I would pledge to create some affordable housing.

RD: Mr. Tory, I will give you the next 60 seconds.

JT: Sure. I do not think you are going to find that there is a huge debate. I think we are both people who have a track record, and I certainly have had a keen personal interest in this as a volunteer, whether it is with a whole bunch of different organizations—the film festival itself, the Canadian Art Foundation. Barb, my wife—I am proud to say—has been the vice chair of the Canadian Stage. I think we have been people who have been not only involved in this—because I think involvement as a private citizen tells you a lot about somebody's interest in this—but also, you know, I have been an advocate for it.

I think what we need to do is, yes, find the tools that are going to help the arts community through the grants program and otherwise to be stronger and to make more of an investment and to link together the creative economy with the creative sector. We also need to have the government not be an obstacle. The film industry has been helped immensely by the fact there is somebody whose responsibility it is to get the government out of the way wherever it can and allow people to get on with the business of making films which employs all kinds of creative people. We have not been so good in a lot of the other areas where there are obstacles put in peoples' way, and I think that that is part of the music office mandate, and I think we have got to have the whole government understand that this is an important industry and that it is an important part of who we are, and we need to get the government out of the way.

RD: That is time. This will be our final question before closing statements and, again, this comes from the audience this afternoon. A lot has been made about the divide between Toronto's downtown core and bordering regions, like Etobicoke and Scarborough, with some feeling that this city has been fractured. Are these parts of the city really that different, and how would you bridge the perceived divide? And John, you start this question.

JT: Well, I think one of the great—it is actually a privilege to run for public office. People write these articles about the two of us often out debating more often than others, but, having said all that, we are out doing this, but it is actually a joy, and part of the joy is not that you meet thousands of people but that you also get to see every nook and cranny of the city. And, yes, areas of the city within the City of Toronto, within Scarborough, within Etobicoke and so on are very different, but, at the same time, I think people are getting more cognizant of the fact that we are one city.

The amalgamation debate was a long time ago, and people sort of remember it, and they have some certain resentments about the outcome. But in the end, I think they know we are one city now. But I think that we have to work at that, and I think it starts with leadership. Again, I draw the contrast to you of the style that has been deliberately employed by Doug and Rob Ford where they deliberately, as recently as yesterday, you know, kind of encouraged dissent and resentment between downtown and some other part of the city. That has got to stop. That has got to stop. I have said, you know—I mean even look at his answer with respect to the Pride Parade. It is the same thing. You know, what possible reason could he have as a person who is being asked in his capacity as the leader of the city as to why he would not march in the Pride Parade? And he gave one of those answers that was kind of some-of-my-best-friends-are-gay answers where he sort of said, "Well, you know, I write them a cheque, and I go down there and kind of hang around on the sidewalk and watch it." No, no, you are the leader of the city. You are the leader for everybody, so I think it starts with that.

I had one other idea that I will mention in the time left to me. I would actually take the city council over the course of a year out to each of the old constituent municipalities once a year and have an informal meeting. I think there are impediments that stand in the way of a formal meeting, including technology, where they would actually listen to people from that part of town and then go out in the afternoon and see things in that part of town, see the Scarborough General Hospital where they have 1967 operating rooms. It is not a civic responsibility, but people from Etobicoke should know about that because we do not accept that kind of thing. So those are some of the kinds of thoughts I have on that.

RD: That is time. Ms. Chow, same question to you.

OC: Well, Mr. Tory has said that he really disagreed with Mr. Ford, both Fords. He donated to Mr. Doug Ford's election campaign and then Mr. Rob Ford's campaign, so I do not know, but your policy, both Mr. Ford's and Mr. Tory's policy, leave entire neighbourhoods behind. If you think about what is happening in our city, one out of three kids live in poverty. That is 29%, and it has grown in the last four years. And, by and large, a lot of them live in the suburbs. These are the neighbourhoods that need and that are crying out for assistance, and they need help right now. That is why I said that every person counts. We need to start investing in what matters most to them—buses; light rapid transit within four, five years; food for the kids when the kids go to school; after-school programs for their children; good jobs for their young people, so they have a sense of hope and do not feel that they are trapped in a cycle of poverty because many of them do feel that way.

I am the only candidate in this election talking about those neighbourhoods that have been left behind. I have concrete proposals, specific ideas, and yet we have not heard anything, any investment, any ideas, specific targets on how to deal with those areas that are being left behind. And that is not fair. That is not the kind of city we have. It should not be. They have been left behind for four years already. It is enough. It is time we invest in them. It is time that we create a much fairer, more caring city, a better city for everyone, no matter which neighbourhood they live in.

RD: Now time for two minutes to debate this issue.

JT: I referred today while we have been standing here to investing in programs for kids and families, and we have talked a lot today about transit. You and I have some different ideas on that, and I think that there are some big holes in what we have talked about in terms of what you say about bringing transit right now. I even have and I can pull it out, but I will not waste the time. I could pull it out and read it to you. You have said over and over again about how you are going to deliver things right now, and yet in an interview with Matt Galloway—he, by the way, Matt Galloway, CBC, is not involved in this election campaign, is nonpartisan—described what you were talking about in terms of how you would finance your transit as he said, "Isn't this some kind of a shell game?" That is what he said to you.

OC: Mr. Tory, he actually said your plan had failed everywhere else in terms of transit plans, transit funding. He actually said that very clearly, and he asked you several questions which you would not answer. I recall that interview very clearly. It was a good four minutes of interchange about your transit plan, your transit funding plan, which is identical to Mr. Ford's. What you are saying is "Let's borrow billions of dollars for the downtown subway relief line. Let's borrow billions of dollars for this track, and, somehow, somewhere, sometime later that money will materialize." You and I know it does not work.

JT: Well, just to address that, in the end, the tax increment financing, which has worked in many places around North America and has been successful, is founded on the notion that the city is going to grow. In the last 13 years, this city attracted—thank goodness—$32 billion in development, $25 billion residential, $7 billion commercial. That included three or four years that were in the deepest recession since the Great Depression of the 1930s. So, if you ask me whether I have the confidence that we are going to get the investment and that I am going to, as mayor, lead a government with the other governments to go and get it and make sure it comes here so that a small portion of the revenue coming from that development to build SmartTrack is going to come, yes, I do.

OC: Do you have a plan B if it does not work? What is plan B?

JT: I can tell you SmartTrack will be built.

OC: If it does not work, what are you going to do? How are you going to manage it?

RD: That is time on that segment. It is time for closing statements. Olivia Chow, you have two minutes to present yours.

OC: Thank you. Thank you for being here today. Our city is at a crossroads, and you will have a major decision to make on how to improve public transit and cut gridlock. I have the plans and the know-how to get people moving faster and sooner. Not in ten years from now, but right now. We have a clear choice. The other two candidates want to continue the policies that have left huge numbers of people and neighbourhoods behind. With me as your mayor, everyone counts. You will see investment in people right now, especially, those that need it the most.

The problem with elections is often the truth gets hidden. You need to know the complete truth, but there are too many questions that Mr. Tory would not answer: How many homes will have to be torn down to build Mr. Tory's transit scheme? What would residents do when Mr. Tory bulldozes over their neighbourhood because it will happen under his plan? And how many kilometres of tunneling are we talking about? Will there be 12 kilometers of heavy rail that has to go underground? Is that what a plan is? That is $300 million per kilometre, and how much more money would we have to pay in? There is no plan B. If it failed, what are we going to do? So I think it is important that Mr. Tory start being honest about how his financial scheme would work. Our city needs a mayor whose plan is real, who knows the specifics and has a track record to deliver the results. I am that mayor, and I am looking for your vote so we can start building a better city, a more caring city right now. Join with me. Elect me as your new mayor. Thank you so much.

RD: Mr. Tory, two minutes for your closing remarks as well.

JT: Like most of you—and I do want to thank you for your attention today—I love this city. It is a remarkable place if you think about it. All of the objective rankings consistently take this city that is not the oldest and is not the biggest high everywhere else on the list of those cities that are livable and that are great places to do business.

It is with devotion to the city and to that quality of life and to our values as Torontonians and as Canadians that caused me to decide to run for mayor. Yes, I think that a competent, collaborative, accountable approach to the leadership of this city was very much needed and is very much needed after four long years of division and chaos at Toronto City Hall. I think if we do not resolve that issue and go back to something that is competent and reliable and stable and sensible that we run the risk of doing real damage to the city, with respect to its economic prospects and its reputation but also its social and political fabric. I think people are yearning for results more so than demanding them. They are yearning for them because they know in their heart of hearts that what has been going on with all the division and the chaos is stopping us from being as great as we can be. They know that it is stopping us from building that stronger, fairer Toronto that we all want. I know how to get those results on transit—yes, being bold and with a sense of urgency to do something big. But I think that is what we have to do with traffic—using common sense to move quickly to make things better—and with jobs to sell and actually know how to do it and how to attract those jobs. And I will work with the council and with those other levels of government because I know that is what you have to do to get things done.

I said I was running for this job out of devotion for the city, and, you know, I have been out there for the past eight months, as has Olivia, earning, I hope, your trust each and every day because I think people have to see a candidate earning the trust of somebody who wants to be their leader. I am 60 years old. I do not look at having this job as a stepping stone to anything else. I want to go down there and perform public service which is what it is supposed to be all about—to build a city that is going to go from good to great in the coming years. And I hope I can have your support. Thank you.

RD: That is time. I would just like to, personally, thank both Ms. Chow and Mr. Tory for taking the time to debate the issues. We appreciate it, and we appreciate you taking time out of your afternoon today.

Note of Appreciation by Ted Griffith, First Vice President and President-Elect, Empire Club of Canada

Thank you very much, Andrea. Thank you, Mr. Tory, Ms. Chow. This has been very incredible for us at the Empire Club. A couple people to thank in addition to our debaters, speakers. The change we went through this morning, very late, required more than just the removal of a podium and one place at the lunch table, and I want to thank our staff, Jehan and Jenna and the volunteers for the incredible job they did. I also am glad I am not the President of the Empire Club at this particular time, as my colleague, Andrea, had to do a major bit of media relations work in speaking for the Club. Thank you very much, Andrea, for doing that.

What I would like to do is thank our guests for their debate today. I think at the table I heard John saying 31 debates so far. I think we take that for granted in Toronto. I wish we had that same kind of political discourse and debate at the federal and provincial level. I think we would all do better for it. I know it is tough for the candidates, and I thank you for being here.

I have for you each a gift, and that is a copy of our *Red Book*, this one from 2010–2011. It is a very special *Red Book,* and I will tell you why in just a second. We publish the *Red Book* every season, and it is a record of every word spoken at the Club and is delivered to every public library in Canada, every consulate, every Canadian embassy around the world.

This is the official record of everything that is spoken at the Empire Club, and we have produced this every year since 1903. So I have a copy of this. First of all, you will get also copies next year because this debate will be in this book, so every word you said is actually written down and being handed to you. And, of course, one of you will be, one of you is highly likely to be mayor at that point, so you will be able to look back on that, and we also hope you will come back as mayor should you be elected as mayor and speak to the Club again. There is a very important speech in here, a very important speech. It is on page 24. It is where a certain candidate for mayor, Councillor Rob Ford, spoke at the Club on September 28th, 2010 in his run for mayor. It is very important that you have these words to carry you forward in the future. Thank you very much.

Concluding Remarks by Andrea Wood

Thanks, Ted. I would like to extend a few final thanks before you all head on your way. First of all, thank you to our generous sponsors. Our event sponsor today was Accenture. Thank you. Our VIP reception sponsor is Campbell Strategies.

I would also like to thank the *National Post* as our print media sponsor and Van Valkenberg for providing our AV.

Please, follow us on Twitter at @Empire_Club, and visit us online at www.empireclub.org. Thank you all for coming. We hope to see you again soon at some of the exciting upcoming events that are advertised in the brochures that are on your tables. Thank you all, and we will see you soon.

The Empire Club Presents

AMANDA LANG, JONATHAN ROSENTHAL & ERIC SCHMIDT

HOW GOOGLE WORKS

October 1, 2014

HEAD TABLE:

Distinguished Guest Speakers:

Ms. Amanda Lang, Canadian Journalist & Senior Business Correspondent, CBC News
Mr. Jonathan Rosenberg, Senior Vice President, Google
Mr. Eric Schmidt, Executive Chairman, Google

Guests:

Mr. Noble Chummar, Partner, Cassels Brock and Blackwell LLP; Past President, Empire Club of Canada
Dr. Chris Culligan, Co-Founder, The Quiet Coach
Mr. Rob Dickson, Vice Chairman, Engagement Labs Inc.
Ms. Joan Fischer, President, Fischer Business Services; Business Manager, RamsayTalks
Mr. Ajit Manocha, Executive Vice Chairman, POET Technologies Inc
Mr. Christopher Morgan, Partner, Skadden, Arps, Slate, Meagher & Flom LLPMr. G. Scott Paterson, Chairman, Engagement Labs Inc.
Mr. Sam Sebastian, Managing Director, Google Canada
Mr. Amar Varma, General Manager, Mobile, Pivotal Labs; Founder & CEO, Xtreme Labs
Mr. Mike White, President & CEO, IBK Capital Corp.
Ms. Andrea Wood, Senior Vice President, Legal Services, TELUS; President, Empire Club of Canada

Welcome Address by Andrea Wood, President, Empire Club of Canada

It is now my great privilege to introduce today's speakers. In 1998, two young Stanford grads had an idea. They wanted to organize the world's information. The company they formed went on to become one of the biggest and most innovative of our time. Think Edison. Think Ford. Think Google. Today a mere 16 years later, Google is an internet giant. It employs over 40,000 people, has a market cap of about $400 billion, offers a wide range of products, including its overwhelmingly popular search engine, YouTube, Chrome, Gmail, Android, smart glasses. The list goes on and on. It is a company. It is a search engine, and I expect it is the first brand name to be recognized as a verb by the American Dialect Society. Google is changing the way we think and the way we access and digest information all while famously refusing to be evil.

Our speakers today have been key participants in the growth of this business titan and have written a book, *How Google Works*, describing the lessons they learned along the way. Today, they will share with you some of the insights described in their book and give us an understanding of how they managed to deliver such extraordinary growth while maintaining a culture of innovation.

Eric Schmidt is the Executive Chairman of Google. He started with Google in 2001 as its CEO and now is responsible for all external matters for the company, including building partnerships and broader business relationships, government outreach and technology thought leadership. Eric is a member of the President's Council of Advisors on Science and Technology and the Prime Minister's Advisory Council in the U.K.

Jonathan Rosenberg joined Google in 2002 and managed the design and development of the company's consumer, advertising and partner products for several years. He is currently an advisor to Google CEO, Larry Page.

Finally, serving as moderator today is Amanda Lang. Amanda is the Senior Business Correspondent for CBC News. She also anchors *The Lang and O'Leary Exchange* on CBC News Network. Thank you for joining us today. Over to you, Eric, Jonathan, and Amanda.

Eric Schmidt, Jonathan Rosenberg & Amanda Lang

AL: Thank you, Andrea. Eric, maybe before you sit down, I am just going to ask you to show the room what is in your pocket.

ES: My Android phone.

AL: No, the other one.

ES: My BlackBerry.

AL: Yes.

ES: Can we say, by the way, we love Canadians? And they have made us feel very much at home. We have hockey in San Jose, and I hear that national anthem about 12 times a year.

JR: I think they are very impressive because they managed to avoid the 2008 financial crisis completely.

ES: That was a good strategy.

AL: You know what my role is here, right?

ES: All I can tell you is it is like seriously impressive.

AL: There are a lot of people here who want to hear from you, and I was joking, and I will say it again because I already offended the Empire Club with this line, but this is a particularly young and hip crowd for one of these lunches. Hands up, who in the room secretly wants a job at Google?

You wrote the book. You describe in the book getting to Google. You were sort of the adult in the room with these two founders and learning that everything you knew about leadership and management you had to toss out. What was the most important thing you wanted to share? In other words, why did you feel that this is a book that needed to be written?

ES: When we talked about it, Jonathan had done this strategy work and actually written sort of how we actually operated, and then, one day, we realized that this was actually just completely abnormal, and my first year, in the first month, I had a little tiny office. I was the CEO, and one day I walked in, and I had an officemate, and his name is Amit. And he was sitting right next to my desk, and I said, “Hello.” And he said, “Hello, I’m Amit.” I said, “Well, like, why are you here?” And he said, “Well, my office is next door, and there were five people in the office, and you’re never here, so I just moved in.” At this moment, you have one of those moments when you have no idea what to say. Anything you say now is career-limiting, right? Like, “Get out,” or “Who are you?” or whatever.

AL: Right.

ES: So we became best of friends in my office space.

JR: My first year was actually harder than Eric’s because his problems were with an employee. My problems were with the founder, Larry. I was hired to run Product Management, and I had spent 25 years learning how to do product management, right, and I thought that was what I was hired for.

So I spent the first three months writing the mother of all product plans, and it had Gantt charts and Pert charts and financial spreadsheets and, you know, all that stuff that they are supposed to have. I dumped it on Larry’s desk, and he sort of paged through the table of contents, and he was like, “Noooo.” And he asked me, “Have you ever produced a plan like this where the engineers put features in that weren’t in your plan?” And I said, “No, they don’t do that.” And he said, “Well, have they ever built the products faster than in that pretty, pretty Gantt chart?” And I said, "No." He said, "Well, then it's stupid."

ES: I have got to tell you this story. So I decided to have an offsite because, you know, companies have off-site meetings, so we had an off-site around the corner from the company, and it started at ten o'clock because we start meetings late, and everyone showed up, including, Larry. Sergey came up an hour late rollerblading to the meeting, which I thought was indicative of—and we had a nice presentation of what everyone was doing and about which they were largely uninterested in because I think they already knew it. And then, ultimately, I asked them to present their vision of the company, and they said, "We just want to be a big company." I said, "Well, how big?" They said, "$100 billion." And I said, "$100 billion of what? Market value or revenue?" And they said, "What's the difference?" And I said, "I can't take this anymore." I found out later that that was their standard joke to torture people, and they very well understood the difference.

Another day, I walked into their office because they had an office together, and I said, "What are we going to talk about today?" And they said, "We're going to talk about new manufacturing." I said, "What kind of manufacturing?"

"Refrigerators." So, we spent 20 minutes talking about getting into the manufacturing of refrigerators and the benefit of automatic control of refrigerators, and, at the end, I figured out it was an entire practical joke played on me. So this is what our book is about.

AL: You know, when they founded the company, the vision for this company was—as you say in the book—one that came from a technical insight rather than some kind of product view. The vision was to organize the world's information, which is a pretty lofty goal. You have gone beyond that. I said this to you earlier, and you said, "Oh, no, we want to do more than that." I had to kind of keep from laughing because "more than that" sounds impossible.

ES: Well, I mean, self-driving cars.

AL: What you say in the book is, given enough data and the ability to crunch it, we could solve virtually all of the problems that human beings face.

ES: An example: I was doing some research for this year. In 1964, Isaac Asimov at the New York World's Fair wrote his description of a fictional 2014 World's Fair, and it includes a one-paragraph description of autonomous, self-driving vehicles, so people do imagine the future if you listen carefully enough. We just have to figure where to build it. Now, to build a self-driving car you have to have integrated circuits. You have to have knowledge. You have to have mapped all the roads. You have to have incredibly accurate lasers and very good and very well debugged software, which we have.

JR: And if you want to continue to hire great people, you need to give them bigger and bigger problems to solve, and that is what we talk in the book about the potential for the power of information and the power of data because, as you have more data, and you can crunch it, you can come up with all sorts of insights that we previously have not had.

Just imagine as we all move to wearable devices, the opportunities in healthcare, where we are longitudinally tracking physiological information about people—not only about individuals which they can share with their doctor but groups of people that we can use to assess broader healthcare trends and implications.

AL: In fact, it is easy to get distracted and think you guys are creating cool, new products, the driverless car, Google Glass. What you are actually doing is creating a bunch of things that manage data in different ways. You stay pretty true to the idea that what you will do is organize data so that we can use it in some way that we find useful.

ES: There is an explosion in data, and there are many estimates, but it is rough summaries. In a couple of days we produced as much data now as was produced between the dawn of civilization and roughly the 1960s. So this explosion is very, very real. Everyone in this room will be affected by this in lots of ways—

the businesses, the way you live, the way you operate, and it can be used to make things much, much better.

JR: Yes, and I think that explosion has big career implications. Bill Gates says that he went into software because he realized that the price of computing was coming down. Similarly, as data becomes ubiquitous and free, the complimentary scarce resources, an economist would say, is the ability to analyze the data. So, from a career standpoint, I would become a statistician if I were coming out of school today.

AL: The dark side of that beautiful thing, of all the great stuff you are going to help us do, is that all of the stuff you will know about us, and everything that you put in front of us and every new iteration to your algorithm actually takes you deeper and deeper right down to artificial intelligence into what we want, what we think. At the end of the day, you use that to make money. You sell ads. Is there a sinister side to that?

ES: We are careful to state what we do, and we are also careful to give you the tools to delete that information, and we are careful to protect ourselves from the attacks by people like the NSA and the Chinese by using complicated and powerful encryption. So I can tell you right now that the safest place to put your data is in Google.

AL: And you will not use this information against us in any way at any time?

ES: The answer is we will not.

JR: The goal is to help you use information to help you make better decisions, to help you live a better life. Look at some of the modest things that we do with Google now already today. Google now has warned me of traffic implications for some of the events that we have been going to. It is proactively telling me things that I would not have otherwise known to ask.

ES: In a few years, you will be in bed, and you will be woken up by one of these REM sleepers that figures out the correct time of your REM sleep to wake you with the most alertness, and you will look at the wall, and you will say, "Do I need to get up?" And the wall is going to look back and say, "No!" And the reason it says, "No," is that your boss is 15 minutes late and does not really care. There is no crisis today, and, in any case, the transit will be faster, and if you leave in exactly 21 minutes, you will get there at the same time. Will you use that product? You betcha. You want the sleep.

AL: Does Google want to replace our brain?

ES: No.

JR: I think Google wants…

ES: The answer is no. Please, continue.

JR: Well, now, I am stuck. How am I going to enhance the brain? I guess the example that I would give is, you know, if you look at…

ES: She said "replace."

JR: Well, I am going to say—you taught me that you can change the question a little bit and then give a different answer. You just did that yesterday on live TV, and I blew it.

ES: It has been like this for 13 years. Do not worry.

JR: We had a book party in New York yesterday, and I was talking to Garry Kasparov, and one of the things that I think is fascinating is we all thought chess was going to be boring because ten years ago, Deep Blue and computers got better at chess, and it seemed like the game was dead. Turns out that we have run some tests, and humans guiding three mediocre chess programs can actually beat the best supercomputer playing a chess program. So I think the implications that we see there are opportunities for software and Google and computers in general to enhance our brains.

ES: So one way to understand what Google has done is we have made the world collectively more intelligent because the world collectively has more access to information that used to be harder to get. The question is *How far can we take that? How much additional can we make your reasoning? How much smarter can we make you?* Part of our goal is to go from just answering the query to being able to actually answer the question *What is a better choice, A or B?* What is the history here? What should I really be worried about here? We are getting close to that over the next five or ten years, and one of the most interesting things about Canada is that two of the leading centres for this kind of general intelligence are in Toronto and Montréal.

AL: That stuff is very cool, and you can understand why people that work in your world are fascinated with machine learning and neural networks, and you can see the potential for it to do great things, but, to an extent, that technology is already making us stupid: There is a whole generation that cannot spell.

ES: I disagree with this.

AL: I worry that if I rely on my phone to tell me whether I should go on vacation in Hawaii or San Francisco, I am losing something as a human being.

ES: Well, I mean we can always appeal to the romantic past, but the fact of the matter is remember the whole bowling alone thing. About 20 years ago, everyone was going to be bowling alone, and would all be isolated. Completely false, right? What do people do today? Text, text, text, text, text, text, text, pictures of themselves, text, text, text, text, pictures of their friends, text, text, text, text: "What are we doing for dinner?" Right? That is called "communications," right? And a word might be misspelled but, frankly, the spell check is pretty good. So we are communicative, experiential, social animals. The collective intelligence that has been brought by this connectivity is of enormous value to the humans.

JR: I think it also depends on how you define "intelligence." If you define "intelligence" as the ability to spell or the ability to do rote learning or the ability to memorize things, then I think we may be getting dumber, but if you define it as the ability to do a better job in an interview, I am sure you are much better prepared to be here with us today because of Google than you would have been 20 years ago.

ES: When I was in high school…

JR: She agrees with me. She is nodding. Eric is shaking his head, but she is nodding.

AL: I once had to do a story about Google being down, and I sat down at my computer and the first thing I did was try to Google it. That was a long time ago.

ES: When I was in middle school in Virginia, one of the requirements was that we memorized the names of the 50 counties of Virginia. Now, that was a complete waste of time. It would be much better to today learn how to reason, think, search, and use these tools. We are not going to go back in time to no access to this kind of information, and, in fact, one of the major challenges I think for societies—Canada, the United States, and so forth—is what does the educational system look like to produce the kind of people that will ultimately work at Google? One of the things that we talk about at some length is who those people are, why are they important, and why they rare. All right, so part of our goal is to make sure the people are organizing their human systems to generate these people.

AL: There is, though, a growing awareness, thanks, to Julian Assange and Edward Snowden, that information, our information, our data, does not seem particularly private, can be used against us in a variety of ways. It struck me thinking about how powerful Google is and the amount of information you have. You could probably fight terrorism better than the NSA. So why do you not?

ES: It is illegal. There are many, many laws in the United States and elsewhere that limit what we can do. We are served by legitimate subpoenas as opposed to random walks through our servers which we do honour, and that is probably all I should say about it.

AL: All right.

ES: Turns out I discovered when we were first attacked I discovered that it is illegal for American firms to fight foreign governments. It is a reasonable rule, by the way.

AL: Where do you see your company going and I guess, by that I mean, you are thinking artificial intelligence. You are thinking mobile-dominated—how deep into our lives can Google get?

JR: Well, I think it is pretty fascinating when you just think about what these smartphones can do today. You know, I used to have a Rolodex. I used to have an address book. I used to have an answering machine. I used to check the YellowPages. I used to check the weather—all of these things. I used to have a camera. All of these things have been replaced by my smartphone, and the fascinating thing is I had access to all of these things. If you think about the rate at which people are adopting mobile phones and that the prices of phones are falling, in the next five years we will have 2.5 billion additional people in the third world using smartphones and imagine how different their experience is going to be. Many of them may have never had access to a library. They may have never had access to the information that their government shares. These people are going to be running a completely new set of searches—how to build a well, symptoms related to healthcare, sending pictures to doctors. So I think we are going to see a huge transition as we move to phones moving to other places throughout the world. And we are going to connect all of them. We have got this balloon project with Google X in the third world. We have got faster connectivity to homes in the first world. So, fundamentally, everyone is going to get connected. Everyone is going to participate, and most of them are going to do it on mobile devices.

AL: You did an event this morning that I witnessed with some kids, and I think a nine-year-old asked you this question, which I thought was a pretty great question—I am going to get the phrasing right, I hope: What is the most super-secret thing you are working on?

JR: Putting me in his pocket. Do you have the little thing?

ES: This nine-year-old produced on a 3-D imager, 3-D reality, a little picture of me, right? It is just shocking how smart these nine-year-old Canadians are.

AL: I am about to open it up to questions. If you want to ask a question, please, stand so that the mic runners can see you. What is the company you worry most about from a competitive point of view?

ES: I have said for years that there are four sort of major platform companies in the world today: Apple, Google, Facebook, and Amazon, each of which are large global platforms. They are well-funded. They have strong cultures, strong brands, happy customers, et cetera, et cetera. In our industry, we have never seen four running as hard as those four are, and I think the competitiveness between them is the roughest I have ever seen, and that competition benefits all of you in terms of incredibly rapidly declining phone prices, especially, free services of one kind of another.

We always worry about a new start-up, but I think we worry about the sort of scale of those platforms because they are moving so quickly, and the scale with which these new platforms can emerge. So it is a tough but incredibly dynamic business.

AL: Anything to add?

JR: I continue to differ on some things, but I would—

ES: Would you agree with me or—?

JR: I agree with you about those companies, but I would say it is the kids we met today holding a copy of—

ES: Thank goodness, they are only nine.

JR: —in a dorm. Some of the counselors were older.

ES: They were employed teaching the kids, thank goodness.

JR: Yes, but they are sitting there reading our book. They are in a dorm room. They are in a garage somewhere.

ES: Actually, the last paragraph of the book says that these questions are always framed as a fear of the garage. We welcome it.

JR: Yes. Right.

AL We have got a question out here, but I just want to ask: You wrote the book. It is about employees. It is true that you think that if you get the people right, everything else follows?

JR: True.

AL: Just give me a quick insight into how somebody who does not run a high-tech firm, who cannot have smart creatives, who cannot give people 20% of their time to go freebase ideas, who runs a manufacturing shop—what can they learn from you?

ES: They could start hiring better tomorrow. I think hiring is something that we talk a lot in the book about. Many managers do not spend the time they should on hiring. They delegate hiring to recruiting. They get an open head count, and then, suddenly, urgency of filling the head count seems more important than making sure they get the right person right. So I think that is easy to fix. We talk a lot in the book about how to run a good decision-making process, much of which I think can be copied.

JR: We have the nine rules for e-mail and the ten rules—

ES: We did not number them, but everybody seems to turn the things that we produce into ten ways to make your life better; ten ways to run a meeting according to Eric Schmidt; ten ways to do your e-mail. You can certainly follow that advice, but the biggest area that I think most companies can do is, even if you do not think you are hiring the smartest desk creatives, be much more transparent about the information that you share with them. You are not going to find the junior person who has a brilliant idea if you are not engaged with them and if you are not sharing the information and the big problems of the company with them, and, today, that is easy.

JR: I would make it even stronger. I think the vast majority of businesses are hiring lots of people because there is natural turnover. They need to communicate more. They need to make crisper decision-making. They need to have five-year strategies, and they need to be battle-tested in terms of the quality of their strategies. All of those are applicable to every business—and, by the way, to every government and every institution.

Questions & Answers

Q: I have got a question about the effect of Google on the Canadian media ecosystem. With your tremendous growth, we have now reached a stage in Canada where virtually every traditional media channel, newspaper, radio, television is seeing year over year revenue declines as you have grown to be such a large share of the advertising pie. In Canada, we tax media companies twice: One, we tell them how much money they should be spending on Canadian content, and, two, we have transparency in terms of the corporate income tax. Could you just address the question about the reinvestment in our community with the advertising dollars that you are now taking from it?

AL: You are to blame apparently.

ES: We have at least 700 employees in Canada, and we fund an ecosystem of at least 100,000 small and medium businesses that use our services in various interesting ways. If you add up all of that amount of money, it is a very large amount of money which is not the same thing as the kind of money that you are asking about. So the benefit to Canada Google I would argue is quite significant.

I am very sensitive to this issue because we need the non-Google broadcasting and media industries to be successful, and we spent quite a bit of time trying to build tools that will help monetize as consumers move to the web. So we have product after product that allows you to monetize, whether it is a subscription service or whether it is a free advertising service. And that is, ultimately, I think the best solution which is to help those partners make money, and I think the money can be made.

AL: Because you need it to continue to survive for some of your products to work.

ES: Well, we need the media to survive because it is an essential part of democracy. I have now spent lots of time in countries that do not have this, and, trust me, we *really* need these people.

AL: As annoying as we are.

Q: I was just wondering: Looking into the future with the hiring of Ray Kurzweil, you mentioned that a human can beat a computer at chess with help from a computer. Is singularity on the product roadmap for Google, and, if so, when can we expect it?

ES: In which year, Jonathan?

JR: Well, you have always told me that I cannot imagine the unimaginable more than five years in advance, but I underestimate everything that can be done in the long run and overestimate everything that can be done in the short run, so I am going to say five years because you cannot prove that that is wrong.

ES: The question was when will the singularity occur, and you are saying five years?

JR: How about before we die?

ES: That is a better answer.

AL: But artificial intelligence is very much on your roadmap?

ES: Yes. The serious answer about Ray is that Ray is working on some new, very innovative products. Google is not planning to have the singularity occur any time soon.

AL: Do we have any questions? Yes.

Q: Now that Apple has played some of its cards in the payment space, what is Google's plan for payments and then, specifically, Checkout, Wallet, HCE?

ES: I think we have had all those products in Android for a year roughly.

JR: We have, and I think we are going to continue to see people consummating transactions on phones. I think that is probably the most significant shift that we are going to see in the next several years. The main reason that phones have not been monetizing as well from a cost-per-click standpoint is because there is not as much commerce being done on them, so I think that, as people start adopting phones more and as it becomes easier to buy things on phones, we are going to see a lot more commerce on phones. So we will both be offering services in that area.

ES: I think we all benefit from the transition to more immediate purchasing, so Android phones have had NFC support, which is the actual way in which these things signal to each other around for at least four years.

JR: Four years.

ES: Because I remember announcing it, and so we had to suffer for a while. I think Apple's move will accelerate that transformation, and, from your perspective as consumers, it means that when you walk into a store, the whole thing is seamless. One of the sort of fantasies is, eventually, you know, you are driving down the street, and I say to the phone, "I need a new pair of jeans," and it says, "I already know your size, and the one of the left is the brand you like, and the one on the right is for sale. Which one do you want to do?" And when I turn left or right, the pants are already ready, and they are ready for them to hand me, which I then purchase. The velocity of that transaction both increases the size of the market which is, obviously, of interest to the merchants, but it also gives you free time to spend frankly less time pant shopping.

AL: Cyber security is a growing issue, and I know you guys are thinking a lot about it— optimizing search results based on the security of the site, et cetera. But is that kind of a serious R&D piece of the puzzle, because one impediment to that speed of transaction is that we may be wary of actually putting our data out there?

JR: Again, with respect to the examples that you use, none of them involve Google. We have worked very, very hard—

AL: Are you not planning to optimize search results based on the security of the page? Did I make that up?

ES: Yes, that is not quite what we are doing.

AL: Okay.

JR: We definitely warn people when we know that there is malware or something of a pop-up.

ES: There is the negative side. There is a negative side which is if there is any malware nearby, we now detect that and warn you which is why people should be using a Chrome browser, which is, by the way, free so we are clear. But Chrome really does help solve that problem. There are a lot of conversations about the use of HTTPS versus HTTP, and those aspects which are somewhat technical, but, fundamentally, we are pushing hard to make the entire transaction encrypted and secure after it leaves the Google premises. The Google stuff is already very secure.

AL: We have a question out here.

Q: How long until autonomous cars become the dominant form of transportation, in your opinion?

JR: Five years. I have been in one of these cars, and I would say I have driven one, but that really is not true. I have been driven by one, and, for about the first 20 minutes, you find yourself sitting in the passenger seat pushing the imaginary brake that you pushed when you taught your 15-year-old to drive, and then after 20 minutes, you kind of just get used to it, and you realize that the laser of the car can see better than you and can react faster than you. So I think at this point the challenge is less in the technology. The technology actually works really well, and it is more in the regulations, in the issues of these cars interacting with human drivers which is actually more problematic than the cars interacting with robot drivers. But we are definitely going to be doing tests this year and in the next several years. In something like five-plus years, I think you will see more scenarios where these get deployed.

Q: How will the unions fare in a universe that tends to encourage creative thinking?

ES: Which kind of unions?

Q: Well, generally.

ES: Government unions, public unions, private unions, corporate unions. You are referring to the union structures that I am familiar with?

Q: Unions tend to accept the thinking of the leadership.

ES: General observation about unions is that the leaders of the unions tend to respond, at least in the American model that I am familiar with, to the current concerns of the current union members because they are elected. So they run, and they are elected, at least as I understand it, by plebiscite, majority vote and so forth. So they are going to optimize the interest of that particular set of workers, and so the conflict occurs when something disruptive comes along which is not in the specific interest of the workers, and we have seen this in numerous cases in America. I am not as familiar with it in Canada, but, certainly, with education where there are new modalities and the unions resist their adoption, and I do not think that is good.

AL: We have a question on this side of the room. Yes.

Q: Actually, I have a question about education. You were talking about some of the things that were taught to you when you were a student in middle school that really were not very relevant, and you were also talking about looking for certain qualities in people that you hire to work at Google. In your opinion, what would be the most important reform that could be made, not at the university level, but the pre-university level in education to make the young people coming out of the education system, not just better Google employees, but also better citizens?

JR: Help them have more fun. Do not torture them like Eric was tortured with rote memorizing. Give them tasks like the kind of things that we saw this morning. Tasks that are more creative. Tasks that kids will get passionate about. I would argue that a kid getting passionate about anything is good. I was passionate about baseball cards. That is how I actually learned to memorize stuff when I was a kid. My parents were worried about it. I think I turned out okay. So I would focus on getting them excited about learning in a less rote-oriented way.

AL: Okay.

Q: Leave it at that. I agree with that.

AL: I think our last question is out here.

Q: Thank you for joining us this afternoon. Despite all the accolades for Canada's business climate, a whole host of indices and metrics have shown that we are lagging behind other G-7 and G-20 countries in terms of innovation. So my question to you is how do you continue to justify Google X's focus on shoot-the-moon solutions with risk-averse shareholders, and what lessons can the Canadian businesses learn from Google?

JR: From what I have seen what is impressive about the Canadian opportunity is that you are much better connected than most other well-developed nations. You have got great broadband connectivity. Three out of four Canadians have a smartphone. Some 90% of them access the internet on a daily basis from their phones, so I think the good news for you guys is that you have the infrastructure. What is surprising when you look at the Canadian data is that, with all that infrastructure, the level of e-commerce that you have is relatively low for the connectivity that you have. So what you could learn from the Google model, I would suggest, is this notion of thinking 10 X, this notion of making it okay to fail, this notion of a much more engineering-driven mentality of iterating much, much more quickly and focusing on the kind of dynamics of setting big goals and making it okay if you miss them and accepting the things that you learn from them because you have the infrastructure, and you certainly have talented engineers and talented people.

ES: I agree with all that. I think that Canada is, if anything, undershooting the opportunity that Canada has. You have the people; you have the connectivity. I think you have the funding coming now. It is right in front of you if you focus on it.

On your questions of the shareholders, I will tell you a story that illustrates this. We do a number of things in Google X, but one is we developed a contact lens, and this is a contact lens that has a computer chip inside the lens with a tiny battery. And this little computer detects changes in your vitreous—essentially, the part of your eye that indicates your insulin level—and it changes colour in such a way that people who have diabetes or near diabetes can use this rather than doing the pin prick. This single invention will improve the lives of hundreds of millions of people for decades and will produce an enormous amount of royalty out of a 20% engineering team. So the way we have organized Google X is, every once in a while, we are going to hit a multi-billion dollar business that happens make the world better for billions of people. We are very proud of it.

JR: I have a quick story on that which sort of gets to some of these moon shots and just how Google thinks about adding shareholder value. When we first looked at Keyhole, which is actually the company that became Google Earth, I went over there with one of our senior VPs, Jeff Huber, and we saw this first version of Google Earth like eight, nine years ago. And it was really exciting, and I thought, "Well, I need to go back to Google and get somebody excited about it," so we went back to Google, and we took Sergey over, and Sergey went, and he saw Google Earth, and he was like, "Well, this looks really cool. We need to buy this company." So I advocated with Sergey to buy the company, and Eric did want he was supposed to do. He said, "Well, we need the board to give us approval." So we got buying Keyhole on to the next board meeting presentation. We got in the meeting, and I was sort of excited to talk about Keyhole, but Sergey decided he was going to talk about it because he had seen it, and he wanted to be the advocate for it. He explained how cool this is, and he demoed it, and everybody was, like, "Yeah, it's really cool."

So then one of the board members said, "Okay, well, maybe we should approve this, but how are we going to make money?" And I had been drinking the Google Kool-Aid. I had had my lecture from Larry a year earlier, like, you know, and we did not project all of that stuff, so I was not sure what to say, and Sergey said, "Well, Jonathan's the business person." And, so then I was sitting there in front of the board; I had no idea what to say, and Eric kind of charitably bailed me out. I was like a deer in headlights, and he said, "This is a founder-led decision on this acquisition." And I was like, yes, you are right. So we bought Keyhole, and now that is Google Maps.

ES: And, by the way, I did not even bother to visit these guys because I did not think it was that important. Today, that acquisition is the basis of Google Maps and everything we do—multi-billion dollar business for Google.

AL: And you could not do the Google car without it, right?

ES: Of course.

JR: We could not, sure.

AL: So my last question is for Eric. Are you still sharing your office with Amit?

ES: No, in fact, Amit retired. I think he was tired of listening in on my conversations.

AL: Please, join me in thanking Jonathan and Eric.

ES: Thank you, all. Thank you.

Note of Appreciation by Noble Chummar, Partner, Cassels Brock and Blackwell LLP; Director, Empire Club of Canada

Thank you, Andrea, and, thank you, Eric and Jonathan. On behalf of the Empire Club of Canada we would like to present you with our iconic *Red Book.* Every one of our speeches over the past 111 years have been transcribed and put into a book and sent to every library and every consulate, Canadian embassy around the world. So, if you Google yourselves tomorrow, you will be able find yourselves on our website as well. And also I am pleased to present you with the new CD of our singer this afternoon, Shane Philips. He is looking for funding.

Finally, on every book tour, if you are trying to make a billionaire happy, it is not very easy financially, but I am pleased to let you know that IBK Capital has purchased all the books in this room, and I just heard that Amar Varma from Pivotal Labs is going to purchase today 300 more books for everyone at Pivotal Labs.

ES: Thank you all. Every book counts. We are busy selling books. Thank you so much.

Concluding Remarks by Andrea Wood

I will now present our door prize. Our winner today will be one of the first in Canada to have a Samsung Gear Live. I would like to ask Jenna Hay to bring the box of business cards to the stage, and I will draw the winner without looking. It is Mihnea Modoveanu at Desautels Centre for Integrative Thinking at the Rotman School of Management. Please, see Jenna, and she will give you your prize. Jenna is the Public Relations and Events Manager of the Empire Club, and this week is her last week with us. We are going to miss her terribly, so Jenna, on behalf of the board, I just want to say thank you for your hard work and your dedication to the Empire Club.

Thank you very much to our generous sponsors. You have heard that IBK Capital has purchased some books. They are also our event sponsor today. Engagement Labs, thank you. Pivotal Labs, thank you. Our VIP reception sponsor is Skadden, Arps, Slate, Meagher & Flom LLP. Thank you. I would also like to thank the *National Post* as our print media sponsor and Van Valkenberg for providing our AV.

You can follow us on Twitter at @Empire_Club and visit us online at www.empireclub.org.

Thank you all for coming. We hope to see you again soon at some of the exciting upcoming events described in the brochure at your table. On October 15th, the president of the first bit coin currency exchange in Canada will be speaking, so, please, enjoy your lunch, and, thank you, for coming.

The Empire Club Presents

NAHEED NENSHI
MAYOR, CITY OF CALGARY:

THE TWO CALGARIES

October 22, 2014

HEAD TABLE:
Distinguished Guest Speaker:
Mr. Naheed Nenshi, Mayor, City of Calgary

Guests:
Ms. Jennifer Bell, Vice President, Communications & Content Management, TIFF
Canon Don Aitchison, Chaplain, Trinity College School
Ms. Malini Giridhar, Vice President, Gas Supply & Business Development, Enbridge Gas Distribution Inc
Ms. Mary Hofstetter, Former President, Banff Centre
Ms. Barbara Jesson, President and CEO, Jesson + Company Communications Inc.; Director, Empire Club of Canada
Ms. Andrea Wood, Senior Vice President, Legal Services, TELUS; President, Empire Club of Canada

Welcome Address by Andrea Wood, President, Empire Club of Canada

It is now my honour to introduce our guest today, Mayor Naheed Nenshi. As you know, Mayor Nenshi is Calgary's 36th mayor. He is currently serving his second term in office. When Mayor Nenshi was first elected, I will admit that some of us in Toronto were a bit surprised and envious that our brother in Calgary had made just a progressive choice. For starters, Mayor Nenshi is a distinguished academic and an author. Prior to becoming mayor, he was Canada's first tenured professor in the field of non-profit management at Mount Royal University's Bissett School of Business. He holds degrees from the University of Calgary and the John F. Kennedy School of Government at Harvard University, and he was the lead author of a book, *Building Up, Making Canada's Cities Magnets for Talent and Engines of Development.*

In addition to being a leading urbanist and public intellectual, Mayor Nenshi has strong business experience having worked as a consultant at McKinsey and Company. As if that were not enough, Mayor Nenshi is so personable that he has been described by the *National Post* as "the cuddly creature in charge of Calgary." And, I think he is probably the only mayor in the world with a gourmet doughnut named after him—not just any doughnut but the hipsters' preferred choice, salted caramel.

Mayor Nenshi serves at a time when Calgary is facing significant challenges. We look forward to hearing about some of those challenges and Mayor Nenshi's plan to overcome them. Thank you for having taken the time to come speak to us today. Mayor Nenshi.

Naheed Nenshi

Thanks very much, Andrea. What a pleasure to spend some time with you. Before I begin, I think we have a short video presentation. I say stuff like that, and magic just happens on the tech side, so let us see if it works.

Calgary Economic Development Video presented

I do love that. I love it for many, many reasons because it gives you a sense of my place, of Canada, of what we are and who we are as a community. And also as you were watching very, very carefully you will see that it also shows you the truth about Calgary, which is that everyone in Calgary is extremely young, extremely beautiful and mostly white. So, I do tease my colleagues in Calgary Economic Development about that last bit on that video every now and then.

But it is a great pleasure for me to be here with you today, and a special thanks to a great Calgary company, Enbridge, for sponsoring today. Thank you through you to your colleagues. I was just saying to Melanie—she works at Enbridge in Toronto, so she does not really work at Enbridge—just two million customers here in Ontario, right?

So, today, I want to actually spend some time with you in the limited time we have got to talk about two Calgaries that you have heard of, two Calgaries that you have seen a lot of in the news. And my goal is to chat a little bit about that and then have some opportunity to have some dialogue with you at the end. I should warn you that I have been mayor for exactly four years. Saturday was my fourth anniversary as mayor of Calgary, and in every one of the hundreds of public addresses I have done in that time, I have started every single one by saying, "We are going to have lots of time for dialogue at the end because I will just speak for a short period of time."

I have yet to succeed in doing that, but maybe here at the Empire Club, there will be a first because there is a first for everything—and a special thanks to the Empire Club as well.

It is a great honour for me to be on this illustrious and historical podium—111 years of people thinking and speaking and engaging dialogue with the community, which is wonderful. I do think it is interesting because I saw the little brochure that you have at your table that says, "Conversations with Power," and one of the things I may talk about is the lack of power that cities and mayors have.

But, before I do that, I want to tell you a story, and I want to start out just by telling you a little bit of story. It is a story about a few days in my life, a story about a few days in the life of my city, a story about a few days in the life of this nation, and it is a story that tells us a lot about who we are as Canadians, who we are as Calgarians and what we do for one another to build our communities. It is about how everyday people doing everyday things with their everyday hands can make enormous change in our community, and it is a story that, like all good stories, starts in Toronto.

June 2013. Wednesday night. I fly in from Ottawa to Toronto. I have just been speaking in Ottawa to a bunch of people, students and federal civil servants and politicians about the future of our nation. I am flying into Calgary—into Toronto, I should say, to continue my speeches. I am picked up at the Toronto airport by my friend, Alison. Her full name is Alison Loat. Alison has just written a brilliant book called *Tragedy in the Commons*. It is about the federal government. It is a horror story. You must read it. It is the best political book written in many, many, many years in Canada. But Alison is getting married on Saturday, and I am very proud of myself because I have managed to arrange my speaking tour in Toronto such that my last speech ends at 11:30 p.m. on Friday, and then I am going to rent a car and drive to St. Catharines, Ontario for Alison's wedding, and I am going to have a weekend off, and I am very excited about my weekend off—my first weekend off in months. It is probably going to be my last weekend off until Christmas. So I am thrilled. I am going for it.

She picks me up from the airport, and I say to her, "Alison, I am amazed that three days before your wedding, you are able to spend a little bit of time with me," and she said, "Naheed, I am amazed that with your schedule you're able to come to my wedding." And I look her in the eye, and I say, "Alison, nothing on earth could prevent me from coming to your wedding." And at that exact moment, the rain begins to fall in a town called Canmore, upstream of Calgary. I missed the wedding. I have got to rush back home, and I get back home on Thursday night. I took this picture on Friday from a helicopter. I did not have time to think about, "Oh, I'm in a helicopter. That's cool." It was, in fact, the second or third helicopter I had been in that day. One of the helicopters I was in that day was with the prime ministe and the premier.

If you look at the top of your screen, you will see that is the south bank of the Bow River. Calgary's founded at the confluence of two rivers, the Bow and the Elbow. Yes, I know that is funny, and in June, 2013, both of those rivers simultaneously experienced the worst flooding in our memory. The Bow River, which you are looking at right there, on a nice summer's day will typically run at about 300 cubic meters per second. What you are looking at is the Bow River running at close to 2,400 cubic meters per second.

The Elbow River is controlled by a dam which forms the Glenmore Reservoir, a great recreational facility we have in Calgary. So, the Elbow River is very, very, very placid. You will have seen in the video pictures of people rafting down the Bow, which is one of the great pleasures of Calgary in the summer. The Elbow is very placid, and people will float down it on air mattresses and wading pools in Canadian Tire $10 rafts. It normally runs on a June day at about 30 cubic meters per second. At the time that I took this photo, the Elbow River was running, not at 30 cubic meters er second, but 700.

So, at the top of your screen, the south bank of the Bow River and the community of Bowness, you see canals that used to be roads. You see patches of trees. Well, those are peoples' houses, and you see a lot of devastation.

The reason that I show you this particular photo, though, is not what is at the top of your screen, but what is at the bottom of your screen, and you will notice at the bottom of your screen the north bank of the Bow River, the community of Montgomery, and you will see that the streets are dry. The basements are clear. That is nature. No matter how sophisticated we think we are, no matter how urban or urbane or cosmopolitan we are, no matter how much we control the elements around us and control the world in which we live, that is nature. One bank of the river completely devastated; the other bank of the river completely dry.

We were lucky in one way, and we were lucky because we were able to see the water recede quite quickly. One of the interesting things about Calgary is if you are in Manitoba, let us say, in the springtime, you can see a flood coming. You have a warning before your rivers crest. In Calgary, we are very close to our headwaters. We are close to the mountains, so there is very little warning, but it also means that the water clears relatively quickly.

Early in the crisis, we made two important decisions. The first important decision had to do with communications, and it was that anything that we knew, everybody would know. Unless there was a compelling public safety reason to hold information back, the public would learn everything we knew when we knew it, and we would use every possible medium in order to get that information out to them. If there was ever a reason to hold back information, then that decision had to involve me, personally, and we had to have a discussion about it, and we never did. We never actually held anything back.

The second decision that was very controversial in emergency management but I think critical came as the waters receded. And, as the waters receded, we realized that there was a very human need for people to see their homes, to see what damage there was, if any, to make plans for the upcoming weeks and months for themselves and for their families. The problem was that we really could not let people back in their homes until every home had been inspected. Keep in mind that this was a giant evacuation—probably, the largest peacetime evacuation in Canadian history, 35,000 homes, 100,000 people.

How are we going to do that? Well, what we did is we defaulted back to my core political philosophy: People always ask me if I am leftwing or rightwing, and I always say, "I don't know what those things mean," because I do not know what those things mean, but I do have a core political philosophy, and my core political philosophy is just this: People are not stupid. Citizens are inherently smart. Citizens are inherently good. Citizens will do the right thing.

So we made a simple decision, and the simple decision was to let everyone go home. But in return for letting them go home, we had a little bit of a deal that we made with them, and the deal was that if you want to go home, the first thing you have to do is stop by your local community centre, pick up some basic supplies and a checklist of things to do. If you go to your house and there is water on the road on your street, do not go any further. If you make it up your walkway, and there is no water on the walkway, you can enter. If there is water on the main floor, do not go in. If there is water in the basement above the level of the lowest electrical outlet, leave immediately, and in one fell swoop we created 35,000 home inspectors and people were able to go home, figure out what the damage was and make the plans that they needed to plan—and there was a lot to plan. Images like this became extremely common throughout the city, and I want you to think about this image a little bit. What are you looking at here? You are looking at a house, a nice house with a giant pile of trash out front, but it is way, way, way more than that. That trash, well, that is your kids' report cards. It is the artwork that was on the fridge. It is the couch that you saw in a catalogue, and you scrimped and saved because you wanted that exact couch. It is your photo albums, teddy bears. That is your life. That is your life piled up on your front lawn waiting for my colleagues who drive the garbage trucks to come and take it away. And when we are in decision-making roles, when we are lucky enough to be able to hold the future of our community in our hands. These are the things that we have to remember, that these are peoples' lives, and, at this point, we were thinking, "Well, we're in a point where a lot of people in our community are going to feel like this is the worst point in their life, that this is a point where they've lost everything." But we learned two important things during the flood, two important lessons that I would like to share with you today: The first was that we are incredibly lucky in this country, in my province, in my city. We are incredibly, incredibly lucky to live in a place where government works, where dedicated public servants go to work every single day to keep us safe and to keep our communities running and to make it better. And even horrible politicians cannot screw it up. It is an important thing, and during the crisis, certainly, our federal government and, particularly, the women and men of the Canadian Armed Forces—of whom we think today more than ever; our thoughts and prayers are with them—did an incredible job. The provincial government did everything they needed to do, but, if I may, you have an election coming up on Monday, so I hear and I want to tell you something. At the City of Calgary, I have 20,000 colleagues, 20,000 people who go to work every single day. They drive our buses. They keep our water safe. In keeping our water safe, they gave us the privilege that a billion people in the world do not have and that is clean, fresh, safe water every minute of every day. By the way, during the flood, we never had a Boil Water Advisory. They fix our roads. They look after our parks and our recreation spaces. They are the first on site when there is an emergency. They keep us safe every day, and, if I may, God bless the garbage men driving those giant trucks up and down the flood-impacted streets for 17, 18, 19 hours a day just trying to bring a bit of normalcy and a bit of cleanliness back to the community. We are very, very lucky that we live in a place where public service is an honorable profession and people go to work in it every single day, and we should be grateful for that.

This picture that you are looking at now is our LRT system. Hey, did you know LRTs work? Anyway, you may have seen photos. The most successful LRT system in North America, by the way. You may have seen photos of this particular tunnel after the flood. It looked like a rollercoaster, and those dedicated public servants and their private contractor partners you see in the photo rebuilt the entire tunnel—one and a half kilometers of track, in under ten days to open it in time for the Calgary Stampede. They are standing in front of a road called Macleod Trail, one of the major arteries in Calgary. Macleod Trail was gone. It had disappeared into a sinkhole. They rebuilt Macleod Trail in one day. That may lead to an interesting question in many of your minds: If you can rebuild an entire road in one day…? That question does not have a good answer, I am sorry to say. I keep asking it, and it does not have a good answer.

But I know that none of my colleagues in the public service would begrudge me if I said that our job as public servants is made so much better and so much easier by the quality of the public whom we serve.

When I arrived from Toronto on that Thursday night, I walked into the Emergency Operations Centre. Now I want you to imagine every movie you have ever seen about NASA and mission control. That is the Emergency Operations Centre: A giant video wall showing everything from live traffic cameras to helicopter pictures to graphs showing the water and where it is going and to-do lists and work plans for the people in the room and something called the "Common Operating Picture," which is this amazing map that aggregates all the data from all the different systems of the city, so you can see which traffic lights are out, where the power is out, all in one place. It is pretty amazing, and in front of that video wall are about a hundred cubicles, and every one of those cubicles is labeled with an agency, like, "The Fire Department" or "The Police Service" or "Water" or "The Building Owner and Managers Association" or "Alberta Health Services" or "The Canadian Armed Forces." They are all in the room together, and it is like a giant game of public servant whack-a-mole.

I am there in the middle of the night, and someone jumps up and says, "We need to evacuate a building in Chinatown," and the police jump up and say, "I can have people there in ten minutes," and Calgary Transit jumps up and says, "It will take me fifteen minutes to get a bus there." Emergency Social Services jumps up and says, "Mmm, it's the middle of the night, it might take me a while to find a Chinese translator, but I can probably find one in half an hour," and someone else jumps up and says, "Forget that, I speak Cantonese. I'm on my way."

That is what was happening, and, in the middle of all of that, we started to get flooded, ha, ha, with offers of help from regular citizens. Remember that even at the height of the crisis, only 10%–12% of Calgary was under water, so, 85%–90% of the city was unaffected, and those people were saying, "What can we do? How can we help?" So, right away, in the middle of that chaos in the Emergency Operations Centre, I pulled aside a few people, and I said, "Listen, your job is to manage the volunteer response. Figure out what we are going to do with the volunteers when it is safe to deploy volunteers." And, as much as I love public servants, sometimes they get, well, a little bit public servant-y, and they immediately set out to fighting with one another. My big mistake was inviting the lawyers to the conversation. Sorry, Andrea.

Municipal lawyers are a very special breed. Let us just put it that way, and they were filled with questions: What about liability? What if someone gets hurt? What if they do not know what they are doing? What if they cannot actually help? How are we going to transport people to the evacuated areas? What are we going to do? And they continued to fight for the next 24 or 48 hours.

Come Sunday night, I finally decided I need to leave the Emergency Operation Centre for a little while and get some sleep, so in the wee hours of Monday morning and Sunday night, I went home to get some sleep. I woke up a few hours later, and I heard on the radio, "The City of Calgary would like to invite anyone who wants to volunteer to come meet at McMahon Stadium in two hours." And I sit up in bed and go, "What? Where did that come from?" And I phone, and I said, "What is happening?" And, they said, "Well, after you left last night, we were still fighting, and we figured we better just get started. So we have invited people to come to McMann Stadium. We will deploy them from there." And I said, "Okay, that's all well and good, but were you planning on telling anybody because you've given people two hours' notice on a Monday morning to show up? Nobody is going to come." And they said, "Well, your worship, that's kind of on purpose because we have no idea what we're doing, and so if a couple hundred people show up this morning, we'll process them. We'll figure out what we're doing. We'll be ready for bigger onslaught tomorrow morning." And I said, "Okay, except nobody's going to come. You haven't given them any notice. Thirty or forty people are going to show up. I suppose I had better go over there and actually say, 'thank you' to the thirty or forty people who show up."

So that is what happened. When I got there, thousands and thousands of people—some in coveralls and work boots, some in tank tops and flip flops—showed up. There was no PA system, so I arrived, and one of my colleagues from Calgary Emergency Management was standing on a folding table attempting to yell at the crowd. And then and only then, I had an idea, and, for the first time, I actually added value, and the idea was that I had borrowed a vehicle from the fire chief the day before so that I could get into some of the evacuated areas. By the way, I still have it which tells you a lot about asset management in the fire department. Every time I make that joke, the fire chief jumps up and says, "Actually, it tells you way more about the fact that no one can say to the mayor, 'Give me back my car.' " All right.

So the reason I borrowed the car, of course, is because it had sirens and lights, and then I realized, "Well, if it has sirens and lights, then it must have that thing you never want to hear when you're driving down the street late at night, the voice of God: "Pull over now." So I climb up on the table. I lean into the driver's window. I pull out the radio. There is a horrible photo of me yelling into this thing, and I go to address the crowd. Meanwhile, Jason, my colleague who had been on the table before me, is now at the bottom yelling up at me and he says, "Send them home!" And I said, "What?" And he said, "We've run out of forms. You think I'm kidding? Look at the guy with the grey T-shirt right in the front and centre of the screen. See, he's got a form." And so I take a deep breath, and I look out at the crowd. Visions of municipal lawyers dance in front of my eyes. I swallow hard, and I say, "All right, folks, we've run out of forms. There's no more room on the buses, but you are all here for one reason alone, and you are all here because you want to help. So help. Just go. You know what neighborhoods have been badly impacted. Just go, and when you get there, it will be obvious what you can do. You may have to go door-to-door—I bet you will not. Just go."

And what resulted from that was the most remarkable example of humanity, of resilience and of power of everyday people that I have ever been fortunate enough to see in my life. Volunteers all came together throughout the community doing hard, back-breaking work for strangers, for people they did not even know. This is my favourite shot of that. I love this shot for so many reasons. These young people have been working incredibly hard in the house of someone they have no idea whose house it is that they are working in. They are filthy, and, by the time the water got into that basement, it was not crystal clean, glacier water any more. They smelled bad. They are exhausted, but they are smiling. The reason I love this picture is because I love the fact that their hands are clean, and that they are eating hamburgers, and the hamburgers are the real reason that I love this picture so much because the hamburgers remind me that every single person in the community figured out what they could do in order to help out. Some did back-breaking labour. Across the whole city, children set up lemonade stands to raise money for flood relief. Oh, my God, I drank a lot of lemonade. Lucky, I like lemonade. Or they would bring food to the volunteers.

This photo always reminds me of the story of a woman I call "Sam's Mom." She is more than Sam's Mom. Her name is Laurie. She is a fully realized human being, but when I met her she thought of herself largely as "Sam's Mom," and, in their little house on Fourth Street, they had stripped it down to the studs, and she said to me, "You know, Mayor, I don't have anything in my house. I don't have a stove or a fridge or cabinets or plates. It's all gone. I don't have any way to prepare meals for my family. But, you know what, Mayor? Tonight, for dinner, we had hot shepherd's pie. And I think a lot about that shepherd's pie when I am having a rough day. I think about the hands that made it, that boiled the potatoes and peeled them and mashed them, that put the mixture into the casserole dish and covered it with tin foil and think just for a second, 'I am never going to see my casserole dish again,' but it doesn't matter because somewhere out there there's a family that hasn't had a hot meal in days, and they need to get this shepherd's pie while it's still hot." I think about that a lot, and I think about people who thought they were at the absolute bottom, people who felt that they had lost everything, and the shepherd's pie was not about shepherd's pie. It was not about getting a hot meal for the first time in days. The shepherd's pie was about remembering that we live in a community, that we live in a community where people look after one another, where we catch those who stumble, and we put them back on their feet and we help them live a better life. In a community where we understand that our neighbours' pain is our pain as much as our neighbours' success is our success, and that we can work together to do extraordinary things. Every day people using their everyday hands doing everyday things to make extraordinary change in our community.

About a week later, I found myself in the community of Bowness—the community you saw in the very first slide—and just up from the bridge on the street Bow Crescent that you saw incredibly flooded, in the fourth house up from the Hextall Bridge and the new park, I met a couple who were back in their house. They were super-happy to be back in their house, where they had had four feet of water on the main floor. Everything in the house was gone. I am sure they were sleeping in hammocks. They had found a piece of plywood in their basement, and, on that piece of plywood, they had scrawled a message, and they had stuck it to the tree out front. And if everything I saw during that flood of the devastation of the rivers running higher and faster and angrier than everything I have ever seen before, the people who had lost so much, the one thing I remember more than anything, the one thing I will never forget is that sign that they nailed to that tree on that piece of plywood because that is who we are. That is who we are as Canadians. It is what we do, and that is, I think the thing that we must remember, and that is really the first part of the conversation that I want to have with you today about Calgary, about what we do for one another in times of crisis and the question that I ask myself that I hope all of you ask yourselves is this: That power, that resilience, that humanity that comes out during crisis, how do we take the power and resilience and humanity and apply it to poverty, to homelessness, to environmental justice, to economic prosperity? How do we take that power that we know exists and use it to make our communities better every single day?

What we know is that building strong communities builds a great nation and that building strong communities means that no matter what is thrown at you, you have resilience, and you are able to move on that resilience, and that is the second part of Calgary I want to talk to you about today, the second Calgary that you have seen in the news and that is the Calgary that is the economic engine and the driver of this country's economy. I do not want to go too much in on it. I will do a lot while I am here in Toronto, but not so much with you guys today. But I do want to tell you a little bit about where we are right now.

Right after the flood, we launched a campaign that you might have seen called "We're Open. YYC, Open for Business." There are some folks who think we are still underwater. We are not still underwater. We are most back up again, but, even with that flood, even with that disaster, Calgary has had the strongest urban economy during the last decade. We are going to stay on top according to every forecast, at least until 2017. And, 2017, by the way, is when my second term as mayor ends, so after that, who knows? I may be back again.

Ten percent of all jobs in Canada last year were created in the Calgary region. Amazing for a place that has a population of 1.2 million people—less than 4% of our population. We do have a chronic labour shortage. That is one of the reasons I am in Ontario right now: We are expected to increase the demand for workers in Calgary by 200,000 by 2020, so I am here talking to a lot of young people, and I am trying to steal your children about considering great job opportunities in Calgary because I think that, we as Canadians, owe it to ourselves to ensure that Canadians have great jobs in Canada, that they have wonderful opportunities in this country. I am very pleased about the diversity of our economy.

One thing that always shocks people in Toronto is how Calgary has become increasingly a major global financial centre. Every investment bank in the world has offices in Canada. Two of the largest banks in the world have opened up branches in Calgary in the time since I have been mayor. Industrial and Commercial Bank of China and the Bank of China. We are excited to have them there. I am waiting, and I see some bankers in the room today, and a couple that I know pretty well. I keep saying that I am waiting to see which of the five Canadian banks will be the first to move their headquarters to Calgary. Three of them have the names of other cities in their name, but that is okay. We will take them, anyway. I was with one of them the other day, and I said, " 'Calgary Imperial Bank of Commerce'. Nice ring to it." Anyway.

But that is very true. You will be interested to know this. Most people do not: Canada is a major energy player in the world but not really that big. Just 3%–4% of world energy production, oil and gas production, comes from Canada, but anywhere between 12%–20% of the M&A deals actually come through Canada. We punch way above our weight in the energy financial sector, and most of that work is in Calgary, and so this is actually a very interesting thing. When the Chinese National Overseas Oil Corporation, CNOOC, bought Nexen—you will remember that story—if you talk to the CNOOC executives and you say, "Why did you buy Nexen?" they will say, "Well, you know, we love the company. We love the people. We love the assets at Nexen. But, in reality, we needed to have a presence in Calgary. We need to be part of the deal flow that goes through that city every day because we needed to be part of understanding that into being a fully integrated global energy company."

Another thing that will surprise you: Calgary has the largest number of tech start-ups per capita in Canada—not

Waterloo, not Toronto. There are 5,300 tech companies, and we are attracting people from around the world. Why does that work? And this is where I will finish. People in Toronto are always surprised, and I love to remind people in Toronto because it always surprises people that the Alberta oil sands are not actually located in Calgary. I will let you think about that for a minute. The Calgary Tower, not actually an oil derrick. In fact, the oil sands are pretty far away. For me to fly to the oil sands takes almost as much time as for me to fly to Toronto—except that it is straight north. So that should lead to an interesting question in your minds: If they are so far away, and you have got to fly there, then why are all those head office jobs in those glittering office towers in downtown Calgary? They could be here, but more likely they could be in New York or Houston or Shanghai or Dubai. Why are they in Calgary? Simple reason: People like to live there, and people like to work there, and people like to invest there because it is a terrific place to live and work and invest, and that means that the kind of investments that we make in the urban fabric, in things like art and culture and sport and recreation and a great public transit system—did I mention LRTs work?—and vibrant public spaces. All of those are not *soft* investments. Those are hard-edged, economic development investments in building a community that will attract that top graduating environmental engineer from Shanghai. When she is thinking about where she wants to live in the world, to have Canadian cities on her agenda is something we must do as a nation, and that is why making investments in our urban fabric and in our cities is incredibly important. But there is more to it than that. It is not just the Rocky Mountains nearby which are awesome or the Alberta Ballet, which is amazing. It is in fact about a certain spirit and a certain understanding of who we are as a community, and sometimes I use the word "meritocracy" to describe that. Calgarians have never believed or cared about where you went to school or who your daddy is or what your last name is. What we care about is whether you are you smart. Are you willing to work hard? Do you bring the best of you to the table, and, if so, we as a community just like we have a responsibility to help people succeed at times of loss, have a responsibility to help you succeed in business. And that for me, is the most important thing we can do.

We are very lucky here in Canada. We are very, very, very, very lucky to live in the best place in the world, and the reason it is the best place in the world is because we have created a society, and you see it nowhere more than you do in Calgary. We have created a society where it does not matter what you look like, where you came from, however you worship, whomever you love. Every single person in every single corner of our community has the opportunity right here, right now to live a great Canadian life. That is a big deal. It is something that is not true in most places in the world. And, together—everyday people using our everyday hands—together we have to fight for that promise in our community in Calgary and Alberta and throughout this great nation to fight for that promise that every single person will continue to have the ability to live right here, right now that great Canadian life. And I hope that all of you will continue to fight for that for everyone.

Thank you very much. Thank you. Thank you very much. I am abusing the generosity of my host who needs a few minutes at the end here to wrap up. We have time for a couple of quick questions. As you can tell, I am the master of the sound bite. I am very good at answering questions very fast. That is a lie, but we have time for a little bit of dialogue so questions, thoughts, comments. You can ask me anything except who to vote for on Monday, and there are mics in the audience.

Questions & Answers

Q: Thank you very much for that speech. It is the essence of the word community; it means C-o-m-m-o-n dash—

NN: Unity.

Q: —u-n-i-t-y. I have never heard of it so expressed.

NN: Thank you.

Q: My question to you is could you give an insight, or was there anything in your moral judgment about being a c-o-m-m-o-n hyphen w-e-a-l-t-h dash f-a-m-i-l-i-e-s of that greatest world institution, the British Empire.

NN: It is after all the Empire Club of Canada, but I am actually really glad you raised that. You know, my family came from Tanzania. I was just talking to my uncle about this this week. He is visiting me from Los Angeles for a family wedding, and he talked about his difficulty when he immigrated and had the exact same discussion with an immigration officer in the U.K., and he said, "I am from a Commonwealth country. Why are you treating me like this?" A lot of us have had similar situations like that, but I want to be a bit broader about it in that we are lucky that we were raised in this community or have come to this community where we share these common human values. But I will go even further than that, and I will say that, as I ended my conversation with you today, with the power of our community is in the welcoming of people to share opportunity here regardless of what they look like or where they come from.

But you know what? We have got to fight for that every day. It is easy to lose it, and it is important for us to fight against the forces of racism and bigotry and small mindedness and intolerance wherever we find them. We have to say to politicians who would try to use wedge issues to divide us that that is not acceptable. I am very happy that the people of Québec punished the provincial government that attempted to do that in what I call the "Charter of Racism," a Charter that in Canada in the 21st century said, "There are certain jobs you cannot do because of your faith." But I am angry that others in our community did not speak out more loudly against that by saying that is social suicide for this nation, that we need to continue to fight those forces wherever we find them, and we need to continue to create opportunity wherever we find it. So now you have gotten me on my soapbox.

So I am going to say one other thing: There is a lot of business leaders in the room here today, and I am going to give you all a challenge: I want you to go back to work this afternoon, and I want you to call your HR departments, at Enbridge, at TELUS, at the big banks, and I want you to ask them a very simple question: "In your criteria for screening people who come to work, do you use the words ‘Canadian experience’, and if they say, yes—and, by the way, they will say yes—tell them to remove it. Tell them to open their minds and make sure that your companies become the companies of choice to create opportunity and good jobs for new Canadians and for our First Nations brothers and sisters. And make sure you do it today because that is how we will continue to build that opportunity for everyone in this country, and that is how the guy who works as my security guard who has an MBA and served as the vice president of the bank in Dubai will be able to get a job as a teller in a bank. And I guarantee you that, once he gets the job as a teller, he is going to be managing that branch in a month. But we have got to give people that first opportunity. We have got to open the door, and it is the job of those of us who have the luxury to have lunch at the Empire Club to make sure that that door gets opened.

Q: Hi. Communication seems to be one of your very strong suits. I am one of your many Twitter followers. Can you talk about Twitter, and how you have used that to get your message out there in addition to the lost cats?

NN: Sure. I am very happy. A lot of lost pets! How do people lose their pets? I have never had a pet in my life, and I just do not understand how so many go missing all the time. And if you do not follow me on Twitter, you will understand that 25% of my Twitter feed is lost cats, especially. Where did they go? They all have a party somewhere.

But, no, I ascribe to a very, very simple and very old political rule, and that rule is go to people where they live. Do not expect them to come to you, and so that means that I spend an incredible amount of my time out in the community talking to people, and I have tried to inculcate that throughout everything that we do as a city government. To give you a simple example, we had a major new transit strategy. You guys know about new transit strategies here in Toronto. You get a new one every week it looks like! So we crafted our 30-year transit strategy, but I really wanted to talk to the experts, people who really understand transit. Let me tell you, I am a public transit nut. I have taken the Pearson Rocket Express more times than I think of because I love to take transit to the airport and figure out how transit works in different cities and so on, and I have got lots of people who work with me who know a lot about transit. I have got network optimization engineers and fare strategy marketing people, and I know I have got people who know how to drive trains—did I mention LRT works?—and drive buses.

But we are not the experts in public transit. The experts in public transit are, of course, the people who take it every day. The person who takes the bus every day, well, she knows how it can be better and what is working and what is not working. I am getting to Twitter. I really am. One of the very simple things that we did for our transit strategy is we dolled up one bus in our fleet. We called it the "Engagement Bus." We covered it in Post-it notes, with markers, and so on. If you were standing waiting for the bus in the morning and the Engagement Bus happened to pull up—it was just at random—then you got a free ride that day. But in return for your free ride, you had to talk to the Calgary Transit Managers we were on the bus about your experience with transit.

So it is all about getting to people where they live, and one of the things that we have learned is, increasingly, a lot of people live online, and Twitter are there not just for dirty pictures and following Justin Bieber. A lot of people really do engage with the community, in the future of the community, using that tool. One of the things I found, ironically, is that in 140 characters you can actually have really authentic dialogue. You can answer questions. You can push people, and if you follow me on Twitter, that is just me. I am the only one who has the password. It is only on my phone, and I do not spend that much time on it. You would think I did, but I do not because it is truly short. It is really easy to answer. I do not have time to spin or to think about what I am going to say, and sometimes that gets me in trouble because I often get into fights with people if I think they are being dumb, particularly, if I think they are being intolerant or rude, and yet at the same time, it gives me an opportunity to reach directly to people.

Now, I am probably at the scale where if it was much bigger, it would be hard for me to do that on my own. I have got about almost 200,000 Twitter followers now, and none of them are shy about the question "Where's my cat?" And I do not know if that can be scaled any further, but, for now, it works fine. I spend a half hour a day before I go to bed answering people's questions, usually, late at night, and it is a way to really see what is going on.

The other thing I for which it is really useful and great is eavesdropping. So if you really want to know whether issues are resonating with people, what people are really talking about and thinking about, spend some time to see what they are talking and thinking about online. That said, I do not understand Snapchat. I just do not get it.

Note of Appreciation by Barbara Jessen, President and CEO, Jesson + Company Communications Inc.; Director, Empire Club of Canada

Thank you, your worship. I just want to say that as a new Director at the Empire Club, it is a very humbling experience to have my first remarks follow Mayor Nenshi. I do not think I am breaching any protocol in noting that there has, from time to time, been a degree of rivalry between eastern and western Canada with our two great titans of power, Calgary and Toronto, leading the charge. It has, occasionally, provoked some alarming, nation-trembling moments, and, no, I am not alluding to the now-famous battle cry suggesting that the east could face the impending winter storm without assessments from western Canada. I reference the event that occurred in this very place, the Royal York Hotel, when in 1948, the Calgary Stampeders won the Grey Cup and supporters rode their mighty steeds right into this bastion of eastern pride, and they had the temerity to repeat the performance in 2012 at the 100th anniversary.

The jostling for dominance by the forces of an industrial-based marketplace versus an oil-rich, natural resource economy has reached epic proportions on occasion, but, as Andrea alluded to, I do not think eastern envy has ever been more intense than in 2010 when Calgary elected you mayor. Four years later, Calgary has re-elected you, a man who shared Young Leader Award from the World Economic Firm in 2011 for your innovative ideas on urban planning and who was ranked the second most important person in Canada, next to the prime minister, by *Maclean's* Fifty Top Canadians for 2013.

Mayor Nenshi, in 2008, just two years before you were elected, the United Nations declared that for the first time in the history of mankind we became primarily an urban species. Today, city states are perhaps the key political force driving economic growth and social policy. Strong leadership at the municipal level has never been more important. Thank you for addressing us today, but, thank you, more importantly, for being an inspiration and a role model for all Canadians. For your proud country, you have become an icon for how to do it right.

Concluding Remarks by Andrea Wood

I will close today by thanking our very generous sponsors. Thank you to Enbridge Gas Distribution Inc. and to Calgary Economic Development.

I would also like to thank the *National Post* as our print media sponsor.

Follow us on Twitter at @Empire_Club and visit us on line at www.empireclub.org.

Thank you all for coming. We hope to see you again soon at some of the exciting, upcoming events described in the brochures on your table. Thank you very much.

The Empire Club Presents

JOSEPH PENNACHETTI CITY MANAGER OF TORONTO:

THE CENTURY OF URBANIZATION

November 4, 2014

HEAD TABLE:
Distinguished Guest Speaker:
Mr. Joseph Pennachetti, City Manager of Toronto

Guests:
Mr. Bert Clark, President & CEO, Infrastructure Ontario; Director, Empire Club of Canada
Mr. Michael Kraljevic, President & CEO, Toronto Port Lands Company
Dr. Gordon McIvor, Executive Director, National Executive Forum on Public Property; Director, Empire Club of Canada
Mr. Ash Mohan, Student, University of Guelph-Humber
Ms. M. J. Perry, Vice President and Owner, Mr. Discount; Director, Empire Club of Canada
Mr. Rod Phillips, Chair, Postmedia; Chair, CivicAction; Vice Chair, John Tory's Transition Team
Ms. Andrea Wood, Senior Vice President, Legal Services, TELUS; President, Empire Club of Canada

Welcome Address by Andrea Wood, President, Empire Club of Canada

It is now my honour to introduce our speaker today. Joseph Pennachetti has been Toronto City Manager since 2008.

As City Manager, Mr. Pennachetti has a huge job. He is responsible for running Canada's sixth largest government with a budget of about $11 billion and only about 37,000 staff. He has served under three mayors—four if you count Deputy Mayor Norm Kelly. Although, I am guessing that he has incredible stories to tell, our speaker has discharged his responsibilities with discretion and tact. We are hoping he might not do that today, but we will see.

During his tenure, he has worked tirelessly and with the precision of a brain surgeon to balance this city's budget while preserving services to the greatest extent possible. He has negotiated numerous financing arrangements with the federal and provincial governments and the private sector on infrastructure projects that have been critical to the development of the city. And he has been the key architect of a massive capital plan that will shape our city's future for generations to come. Under his leadership, the City of Toronto continues to be recognized internationally for quality, innovation, and efficiency in delivering public services.

Mr. Pennachetti joins us today at a particularly interesting time. Not only are we about to transition to a new mayor, but Mr. Pennachetti has announced that he intends to retire later this month. We are grateful to have this opportunity to thank Mr. Pennachetti for his many years of public service and his sure-handed management of the city. He is uniquely positioned to offer perspectives on the challenges our city faces as it looks to invest for the future, and we thank him for taking time to speak with us today.

Ladies and gentlemen, your speaker.

Joseph Pennachetti

Thank you all. Good afternoon. This is truly a pleasure and an honour. Prior to coming down to this august room, I was given the opportunity to leaf through the book of speakers. The book I saw went back to the early 1960s, including Her Highness, Queen of Great Britain, and this hit me, finally, that this is truly an august group that I am speaking to. The timing is right for me, and I will be as candid as I can be, as some that are in the room that know me. I will be still tactful, and you will not have a headline coming from my speech. However, I am passionate about our city, and I hope that the comments that I will follow up with in the next twenty-five minutes or so will resonate with you.

The 21st century has and will continue to become known as "the century of urbanization." The growth and maturity of major urban metropolitan centres globally will continue to drive world economies, but these urban centres must be much more in the 21st century. We must provide the economic foundation for jobs and social infrastructure over and above the hard, physical infrastructure to meet our live-work goals of our present and future residents and businesses.

Today, I would like to speak to you about the important role the city plays in shaping the conditions that enable a livable, economically viable city and the challenges ahead if Toronto and the GTA want to continue to be a successfully globally competitive metropolis.

As the CFO and City Manager for Toronto for the past thirteen years, I believe the city has made significant progress towards stabilizing the fiscal health, economic growth and livability for all Toronto residents. When you leave here today, I hope the following three messages will resonate with you. First, Toronto enjoys a high quality of life. It is a diverse, vibrant and cultural and economic hub and is a significant contributor to the GTA, Ontario and Canadian economy. Our city has become a world leader on all key international indicators of city life, and I will educate you today for those that do not actually work in this city on the "real" Toronto, as I call it, not the media-reported Toronto.

Second, the range and complexity of programs and services delivered by all large cities and metropolitan regions, like the GTA, is remarkable when considering in Ontario, the limited fiscal options available to Ontario municipalities and the funding constraints relative to other cities across the globe.

And, third, to maintain Toronto's enviable quality of life and ensure Canada's largest metropolitan area, meaning Toronto, continues to be globally competitive, stronger. Intergovernmental and private partnerships, however, are needed and are required to address the pressures that growth is placing in our great city.

Now, for many of you, I will be going very quickly through slides. I cannot do a presentation without slides. That is my job. But there are many stats for Toronto that are still not—believe it or not—that well-known. I will be covering population growth, budgets, financing, our strategic plan, which is key to our prosperity, and I will start with the economics.

I think you are aware that we are the fourth largest, regional economy in North America, as we generate nearly half of Ontario's GDP and one-fifth of Canada's GDP. Nearly $300 billion of goods and services are produced in the Greater Toronto Area—larger than the GDP of most provinces that you see on the right hand side there. The City of Toronto accounts for just over half of this total with approximately $150 billion in GDP. We are definitely the economic engine and heart of the GTA, but we are viewed—and I will be emphasizing this for the next half hour—internationally known as the "GTA" as the Greater Toronto Area, and must look to working closely with our GTA municipalities to grow our Toronto international image together with coordinated, economic objectives in a collaborative manner.

The GTA growth, I think we all know this, for the past 25 years, was predominantly driven by what we refer to as "the 905 regions," with annual growth of in excess of 3% a year, and the City of Toronto, historically about 1% per year or less. But, as you know, in the past five years, we have seen extraordinary growth in the downtown core. In fact, the downtown is growing at four times the rate of the rest of the City of Toronto, particularly, due to the surge in the condominium development, of course, in the past ten years. What I am going to do now for you is to provide some graphical context for future growth. Our planners have prepared four or five slides that show how we will be seeing a huge make-over, not only to date but for the next 20 years. This slide is existing downtown core. This next slide reflects today's development. The cranes that are in the sky…that will be occupied in 2017–2018. Does not stop. Next are the approved plans that will be projected for occupancy in about ten years, about 2024. And, finally, there are the proposed plans that are projected that have actually been submitted to the city. These are what we foresee in about 15 years, or by 2031, and this includes that mammoth, blue towers, the massive Mirvish condo development on King Street incorporating the Princess of Wales Theatre. And, most importantly, the commercial growth is substantial as our strategic plan of a live-work lifestyle in the downtown is truly becoming a reality. It is not just on paper.

And a quick slide to show you that the cranes in Toronto have been for the past ten years leading North American cities. With 138 buildings by the end of October 2014 for both residential and commercial, we continue to lead North American cities, including New York. Growth will continue for years to come as you have already seen, and this is for towers that are in excess of ten stories.

However, at the same time, high levels of immigration with this population growth have resulted in social pressures for Toronto and the GTA. In 2010, median household income in Toronto was just over $58,000, with Toronto ranked ninth of fifteen major Canadian cities. In 2010, about 20% of the Toronto population had an after-tax income below Statistics Canada's low income measure. There is a growing income gap amongst Toronto neighbourhoods. We are aware of this, but it is worsening. I believe that addressing this gap and putting meaningful measures in place to address the increasing disparity between the haves and the have-nots is one of the biggest tasks facing our new mayor and council in 2015 and beyond.

A reminder: We provide in excess of 100 services. This slide does not show very well, but the bottom line is when you walk out this street, you are probably looking at anywhere from ten to 15 services that are directly related to this city, whether they are transit, highways, roads, emergency services, water, waste water and social services and, of course, many of them are 24/7.

Quick budget overview: Since 2000, the city annual capital budget has tripled. When I first started at the city in 2002, the capital plan was less than $10 billion. It was somewhere around $5 or $6 billion. Needless to say, we needed a lot of financing and put the plans together for the replacement of our infrastructure. We have already made major strides in the last six or seven years. We spent in the range of about $50 billion, and we have a capital plan from 2014–2023 of nearly $30 billion. Nearly half of it, about $14 billion, of course, is transit and transportation. Some of the projects include 150 new subway cars to come—not just the ones you see; 307 new buses; 195 light rail vehicles; the Union Station revitalization, a great partnership with our federal and provincial partners; a Gardener Expressway rehab; and, of course, the Scarborough subway and the Toronto-York-Spadina subway extension are two notable, growth-related projects included in that budget, both of which have provincial and federal funding contributions.

The other program area, with not enough notice, is Toronto water. There is a $9 billion capital program, and I believe we are looking at it in terms of a 2015–2024 plan of $10–$11 billion. All funded from rates, no debt. Services delivered. Sixth largest government. As you have already heard, $11 billion. Social programs are 25% of the doughnut—I cannot say “pie.” TTC and transportation are about 20% of our expenditures. Emergency services, police, fire and paramedic services are about 15%. Toronto water, again, at $1 billion, is about 13% of our gross expenditures, and, most importantly, I want to note with some of the banks in the room, that we are paying principal and interest on debt with only 6% of those expenditures. This is compared to, as you know, 20% plus for provincial and federal budgets that only pay interest, not principal and interest.

Where does the money come from? City operating funding, of course—primarily, property taxes; however, the city does utilize large user fee revenues for rate-supported programs that total about 30% now of our funding. And that includes 16% for the water and solid waste management and 11% of the user fees coming from transit and the TTC.

I also need to highlight that we receive about 17% of our revenues from the Province of Ontario for our social service partnership services. This slide is one that I get nervous showing because I still have strong partnership relationships with my colleagues at the province. However, our structural deficit is not going away, and I speak to our operating funds. The 2000 download of provincial services—social housing, transit—put a burden of in excess of $300 million of additional pressures on Toronto at the time. At this point, the 2015 budget challenge that we are working on diligently as we speak, has additional pressures of about $120 million from further provincial funding cuts of social housing that occurred in 2014. Given our existing fiscal situation with inflating expenditures and revenue forecasts, you see this $320 million shortfall that has been projected by our CFO.

So with all those challenges—although, I jumped up to 2015—I do want to highlight the fact that in 2005, we did put together a long-term fiscal plan that included what we believed was the long-term solution to fiscal sustainability for the City of Toronto. We knew that a simple approach is needed to be very strong, to control expenditures—notwithstanding the fact that our social services are significant in Toronto relative to the GTA—so you know 90% of public housing in the Greater Toronto Area is in the City of Toronto, and 75% of Ontario's public housing is in the City of Toronto. So we have expenditure, social service challenges.

On the revenue side, we knew we had to grow and diversify our revenues with a view to keeping the city affordable for residents and businesses. On the asset and liability side, the existing assets required repair which required the significant infrastructure replacement programs which were starting to happen in 2005 but needed to be enhanced and grown, along with some employee benefit liabilities. I will not bore you with that detail.

But the plan was developed and approved by council. We moved on to address the key operating deficit that we had, and a lot has occurred. I could have 12 slides on each of the areas of expenditures, revenues, and assets and liabilities. I am going to try to summarize what has occurred.

An important piece of the revenue side in 2007 is that the province agreed to the City of Toronto Act. We are the only city, of course, in Ontario that has its own act. And with that, we did have some limited new tax authorities to diversify and grow our revenues. Capital infrastructure pressures are being recognized by the provincial and federal governments, which have committed billions of transit partnership funding. Partnership with Metrolinx is huge and working very well. The combination of 2011–14 expenditure reductions was the key to fixing the expenditure cost side of our long-term plan, and there was $350 million of expenditure reductions in the 2012, 13, and 14 budgets. There is also a labour settlement that saves $140 million at the same time.

Council, also back in 2005, approved a business tax reduction plan that reduced business taxes that were as high as four times the residential rate to reduce the two and a half times. We are already at three times, well on our way to two and a half times by 2020. I believe, and I have heard loud and clear from many of the businessmen in this room and outside in downtown Toronto that our property tax plan was one thing that did assist in the revitalization of our commercial office towers in downtown Toronto today.

Obtaining dedicated, predictable funding for transit, however, is still one of our two keys to long-term fiscal sustainability. As we all know, the TTC is a system congested at peak hours, and ridership continues to grow annually as more and more residents of both Toronto and the surrounding municipalities rely on the TTC to get to key employment centres, especially, downtown. We must move quickly with our colleagues at the province and Metrolinx to build the $8.4 billion wave one of Move Ontario by 2020–2022.

Most importantly, on the operating side, the province needs to revisit partnership funding with all cities in Ontario related to a 50-50 share of the cost in order to ensure we are not forced to annual fare increases.

Housing is the other major Toronto and Canadian municipal pressure. Two years ago when I spoke at the U of T, I called the issue "our smoking gun," and it still had not been addressed. Today, for Toronto it is basically as large a budgetary pressure as transit. For capital, $2.6 billion is needed over the next ten years because we are verging on a health and safety issue that you see invariably once a week on the news with a real possibility of moving tenants out of uninhabitable units. The city has requested one-third partnership funding for that $2.6 billion, and we are already moving on our share of about $900 million. The city does not have enough revenue, though, to fund the major income redistribution program of housing on its own.

Yes, Toronto and Ontario municipalities can deliver social services on behalf of the province and the federal government, but social housing funding must be at a minimum cost-shared by all levels of government. Put simply, social programs, such as social housing, are more appropriately funded by income tax and sales tax versus property taxes. That is well known, well researched and articulated. It has to happen sooner rather than later, and it is the same source of funding that occurs in all other global cities.

This slide indicates that. This is from studies done at the U of T. All large global cities have revenue options that grow with the economy, like income, sales, or corporate tax, and there is a simple reason. The 21st century city is providing services—social and infrastructure—that are needed, that are far beyond the 19th century property tax tool. While the rest of the world has been sharing all taxes with large cities for 25+ years—and I emphasize sharing, not necessarily increasing taxes—Canada and Ontario remain slow to share revenues. Berlin's revenue options include inheritance tax—believe it or not—tax on lottery, and, of course, in Berlin, a beer tax. New York City's revenue options include sales, income, cigarettes, parking amongst a number of others. As you see in the bottom, they have 16 more. They have about 20 revenue options in New York City and about 25 in Berlin. And that is just two examples out of about 20 that we have got that we compare to on a regular basis.

So, in summary, the score card from the '05 fiscal plan has been updated annually to council, and, as of 2014, this is the way it looks. In summary, we have made major strides. No ifs, ands or buts in meeting our 2005 long-term fiscal plan, and we are close to achieving financial sustainability to support our strategic actions.

On the expenditure side, we have made significant measures to reduce spending by hundreds of millions of dollars that I referred to earlier, including the verification of our expenditures by service with benchmarking Ontario, Canada and, now, the world—that I will speak to in a few minutes.

On the revenue side, we have also taken measures to protect our revenue base and increase it. However, we still need new revenues that grow with the economy to meet our continued population growth and infrastructure needs.

And on the asset and liability side, we have been focusing on the ten-year plan that you saw earlier. We will, by the end of this ten-year plan, have most of our assets in a state of good repair. The water plan within the ten years will, in effect, have something like only 3% or 4% of our infrastructure that will be more than 50 years old. Roads, hopefully, the same thing, and highways, et cetera. The Gardener in the next 12 to 13 years, we hope, will be totally rehabilitated.

Bottom line is, what is positive is with the debt financing that has increased in order to meet these challenges, we still have maintained our double–A plus credit rating.

So that is enough of the history and a lot of the financing related to where we are today. I do want to take a few minutes to talk about the future and our strategic actions. Council approved back after amalgamation in 2002 a strategic plan that in a report we sent to Council we implemented all of the 18 strategic directions that were approved at the time. In 2013, I initiated a strategic plan update which council approved that lays out a framework for the city over the next five years. The strategic plan sets out council's vision, mission and, of course, specific goals that guide the planning activities within the organization. I will provide to you some quick highlights on the key themes and strategic actions that you see there. Under the theme of "City Building," we must and will refine a long-term transportation plan and policies to reduce congestion. Under "Economic Vitality," we will continue to create a more attractive business climate to encourage business growth and investment and foster job creation. Under the theme of "Environmental Sustainability," we will advance on the tree canopy and a long-term solid waste management strategy. Under the theme of "Social Development," we will support affordable housing to the continued implementation of our ten-year housing plan and Housing Opportunities Toronto. And under the theme of "Good Governance," we will enhance the city's performance measurement and continue to improve customer service. That is just a snapshot. Again, detailed reports and actions are happening. Rather than calling these "strategic directions," I purposely call them "strategic actions" because we want to implement these actions as soon as possible.

The last strategic theme I am going to cover is "Fiscal Sustainability." In the next year, the city will undertake an update of the long-term fiscal plan that is now ten years old. Financing the city's growth will continue to be a key action. The 2015 long-term fiscal plan will seek to align with the city's official plan and develop an integrated approach to finance growth. We will implement a renewed corporate-wide, strategic, asset management plan by improving the coordination and sequencing of capital projects and enhancing partnerships and funding from other levels of government to ensure we do truly have a state of good repair. We will also improve service and financial planning by aligning budgetary and performance service and refining our fiscal report into council and the public. That to some degree sounds a little bureaucratic and boring. The bottom line is we have the plans and the policies in place to move us forward beyond 2015.

I do want to highlight somewhat of a bureaucratic term, 'benchmarking'. During our years of struggle with our property tax and cutbacks and asking for money from the province, we were always challenged in terms of "But we know that we've got waste at the city level. With the reductions that we made in 2012–13 and 2014, I know full well that our costs are competitive with anyone. What you do not know is the City of Toronto, Ontario municipalities have been involved with what is called "OMBI," Ontario Municipal Benchmarking Initiative for ten years, and it actually was started by the province in concert with municipalities, and it has been a huge success. So in this OMBI group of 16 municipalities in Ontario, we benchmarked 600 performance measures in 36 service areas with the goal to identify best practices amongst municipalities in all service areas. We have gotten the reputation. What happened? The World Bank came to the U of T and said in 2005, "Why don't you start up an institute so that we can start actually collecting data across the globe with large cities?" It is happening. This work culminated in May 2015 with the release of a new international standard. We all have dealt with ISOs in the past. Believe it or not, we have an ISO for service standards in cities that has just been recently announced and will be officially announced in London in a few weeks—that is, London, England.

The World Council on City Data was formed at the same time and comprised Toronto and 19 other large, international cities across all continents who have committed to share service and to ultimately learn from one another. I spoke to about 30 world cities in the summer of 2015, in May, about all of these programs.

So through our work in Ontario, Canada, and internationally, Toronto is seen as, literally, a leader in benchmarking and performance reporting. You have from my viewpoint, a high level of efficiency within city operations. Always room for improvement but we are there.

Next few slides are slides that do not get enough press. The media gives you the press that they want to provide; they do not talk about international rankings that usually come out about once every month or two months. The internal migrations of live, work and locate business in Toronto is a reflection of both the high quality of life and economic opportunity provided by the city and the Greater Toronto Area. With the 2014–2018 Strategic Actions for the future, we want to build on the city's past success in international rankings.

Here is a sampling of the recent international rankings some of which is before you. We are invariably in the top five of key rankings—from number one, as believe it or not, the most tax competitive city—KPMG study—in the world to number two for business investment in North America to the leading banking system that we all know world-wide. A leader in attractiveness and livability. While ten to 15 years ago in these rankings we were in the top ten to 20, as I said earlier, we are now consistently in the top five. The City of Toronto has matured as the fourth largest city in North America. We have grown, not just in population, but economically, socially, culturally, environmentally, and, importantly, as the most diverse population in North America and, indeed, the world. As a result, our reputation continues to be at the top of world cities, inclusive of being top in the world for resiliency, a top city of opportunity and consistently in the top for livability.

In conclusion—I am winding down—there is a need for greater collaboration amongst municipalities to address these common transit and housing issues facing the Greater Toronto and Hamilton Area and the Ontario municipalities. We have planned transportation strategies and service plans to meet our growth challenges; however, we cannot meet these transportation challenges without the continued partnership support from the provincial and federalgovernments. I *must* be clear that we have made huge, major strides in partnership funding on infrastructure, the in particular, over the last ten years. We have, and the provincial and federal governments have come to the table and are true partners—most, especially, province is showing us strong support by moving $10 billion in transit expansion over the next ten years within the City of Toronto and with another billion plus hopefully from 2020–2030. The province has listened and moved on our need for transit infrastructure expansion, and I believe the outstanding future capital needs will be met through, I hope, enhanced federal commitments to transit in cities across Canada. We must convince the federal and provincial governments to take back responsibility, however, in social housing. It is not a municipal responsibility from my viewpoint.

With these transit and housing funding partnerships, again, similar to other global cities, we will then be able to manage our transit growth, our housing pressures and provide the needed flexibility to address all of our core city building service initiatives and opportunities.

Now, a bit of my personal sermon. While municipalities have come a long way in the past 25 years as partners with the other levels of government, partnership funding changes have been slow. When I began my municipal career about a thousand years ago, our municipal government was referred to—and I think councilors will even know this—as the third level of government. When in discussion with the federal government, staff colleagues at that time were often referred to, along with the provincial governments—so both of us, provincial and municipal—as the "sub-national levels of government."

This mindset resulted in the past service and funding downloading related to federal and provincial budget shortfalls and deficits. And this occurred, not just in Canada, but across the world. However, I believe the maturity of municipalities and urban centres across Ontario and Canada in the past ten to 15 years has resulted in a, what I call, "one government paradigm shift." The municipal level of government that delivers the majority of services to residents and businesses across Canada is now respected as *the* most experienced level of government to meet residents' needs. We are now respected for our professionalism and management of public services, and we are now treated more fairly and equally as government partners, most especially with the Province of Ontario with the establishment of the City of Toronto Act.

We are no longer third class but are invited to the table with the other levels of government to meet our common challenges to serve our common taxpayers, residents and businesses—and I emphasize "common." The "one government" paradigm shift, as I call it, must continue to mature and foster with a new, enhanced legislative framework, and I hope a revitalized City of Toronto Act in the next term of council to refine our service roles and responsibilities and, at the same time, come up with a long-term, committed funding plan for all of our services.

The key steps in stabilizing municipal funding in Ontario is through the transit and housing realignment and the upcoming review of the City of Toronto Act, and that is the key opportunity we have with the province.

So we do have, I believe, as I wind down, a strategic plan update. We have service plans for all of our major programs; an updated official plan very close to fruition in 2015; a long-term updated financial plan that will occur shortly; a double–A plus credit rating that we have and will continue to have with the plan that we have in front of us for the next ten years.

But we must now begin to think as a global city leader, which we are, and build on to these strong foundations to reach Toronto's strategic vision of being a caring, friendly, clean, green and sustainably dynamic city that invests in quality of life. To reach this vision, we must work with other levels of government early in the new term to achieve our joint vision to provide an economically vibrant and, importantly, socially inclusive city that will be number one in the Americas to live, work and play.

I do know that our new mayor elect has outlined this partnership as a key objective, and I am *more* than optimistic that with a united mayor and council, supportive provincial and federal governments combined with enhanced business and community partnerships, we can all work together to invest and grow one Toronto, as the mayor elect would say, in 2015 and beyond, that we all can be proud of.

Thank you very much.

Questions & Answers

Q: If you were the premier of the province, what would you be doing to ensure that their budget would be balanced but would also able to help the City of Toronto?

JP: I am not retired yet. I think I was clear, and I have been clear in discussions with my colleagues at the province—deputy ministers—and everybody agrees that the social housing really should not be 100% funded by municipalities. It is the issue of the capability of financing at the provincial and federal levels. I am hoping with where the federal position is this year and next year that the ball can start with the federal government to open up some funding for social housing that would then be passed on to the province that would then be passed on to the municipalities. Hence, my term "one government," and we have got common taxpayers, and, yes, we all have fiscal challenges, but if we have some available funding with some potential surpluses in the near future on the federal level, let us work together to get that funding expedited to assist our social housing dilemma.

Note of Appreciation by Bert Clark,
President & CEO, Infrastructure Ontario;
Director, Empire Club of Canada

Joe, thank you for those insights. I also want to take the opportunity to thank you for more than—I thought it was only 35 years but a thousand years of public service. It is quite impressive. I do not know that people appreciate the complexity of the job that you held for the last six years—with a $10 billion budget and 2.5 million people.

City government, as you pointed out, touches everybody in tangible ways on a daily basis: Garbage collection, affordable housing, building permits, water, sewer, public transit and so on. When those things are not working, people notice, and the last four years were objectively quite tumultuous at City Hall. And throughout it you were unflappable. You stayed focused on managing, and you made sure that essential public services were not affected by that tumult. That was no small task, and, for that, the city owes you a great debt. Thank you, Joe.

Concluding Remarks by Andrea Wood

I would like to close by thanking our very generous sponsors. Our event sponsor today is Toronto Port Lands Company. Thank you. Our student table sponsors are Bell Canada, Thomas McKaig International and the Toronto Port Authority.

I would also like to thank the *National Post* as our print media sponsor. This meeting will be broadcast on Rogers TV. We are very grateful to them for the support.

You can follow us on Twitter at @Empire_Club and visit us online at www.empireclub.org.

Thank you all for coming. We hope to see you again soon at some of the exciting, upcoming events that are advertised on your table. Please, join us. Thank you. This meeting is now adjourned.

The Empire Club Presents

GREG SORBARA
CHANCELLOR, YORK UNIVERSITY; CHAIR, THE SORBARA GROUP ADVISORY BOARD:

REFLECTIONS ON TWO VERY DIFFERENT GOVERNMENTS WITHIN THE BATTLEFIELD OF ONTARIO POLITICS

November 5, 2014

HEAD TABLE:

Distinguished Guest Speaker:

Mr. Greg Sorbara, Chancellor, York University; Chair, The Sorbara Group Advisory Board

Guests:

Captain Rev. Eleanor Clitheroe, Former Deputy Minister of Finance & Former CEO, Hydro One

Ms. Diane Flanagan, Vice President, Corporate Communications, Scotiabank

Mr. Paul Fogolin, Director, Government & Stakeholders Relations, Ontario Retirement Communities Association

Mr. Ivan Kovac, Business Representative, CDC, Local 675

The Hon. Dalton McGuinty, Former Premier of Ontario

The Hon. David R. Peterson, Former Premier of Ontario; Chairman, Cassels Brock & Blackwell LLP; Chair of the Toronto 2015 Pan American and Parapan American Games Organizing Committee

Mr. James Scongack, Vice President, Corporate Affairs, Bruce Power

Ms. Andrea Wood, Senior Vice President, Legal Services, TELUS; President,

Welcome Address by Andrea Wood, President, Empire Club of Canada

It is now my honour to introduce our speaker today. Greg Sorbara enjoyed, as many of you in the room know, a very successful and lengthy career in provincial politics until his retirement in 2012. First elected in 1985 as an MLA representing the riding of Vaughan, he served in Premier Dave Peterson's cabinet. That government was the first Liberal government in 42 years. He was appointed Minister of Finance by Premier Dalton McGuinty in 2003, and served in that capacity until 2007. In addition, he served as campaign chair for the Liberals' three consecutive election victories—the first time that has happened in more than a century.

Through his quarter century in public life in Ontario, Mr. Sorbara had an enviable record of introducing new policies to help Ontarians. He reinvigorated the healthcare system. And the Ontario Child Benefit and a subway to York University all have Mr. Sorbara's fingerprints on them.

As chairman of the Liberals' three consecutive election wins, Sorbara had a front-row seat on some of the most significant changes in Ontario history. In 2014, he was appointed Chancellor of York University, and he continues to serve in that capacity. Mr. Sorbara has graciously agreed to come to speak with us today to share his unique perspective on what it is like to be a combatant on the battlefield of provincial politics.

Thank you.

Greg Sorbara

Oh, my goodness. Andrea, thank you very much. By the way, I worked with all these folks out here, so they know all of the sins that have been committed, and I am not going to speak about any of those, Premier.

I want to begin by just saying what a pleasure it is to be here at the Empire Club. The tradition of this organization is long and rich, and I think both Dwight and I have been here before when we were presenting budgets. But it is nice to be back and, particularly, with this group.

I want to begin by thanking those who helped make today happen: The sponsors, including Bruce Power. Here is James Scongack—right there. Worked with James for a number of years. The Carpenters Union and Mike Yorke, who has that organization and the trade unions in our province commit so much time and energy to the civil life in this society. I am just thrilled that you agreed to do this, and, of course, Scotiabank, as represented by my former chief of staff and director of communications, Diane Flanagan, who was on the airwaves last night explaining a few changes at the bank and doing it brilliantly. It is just so wonderful to see you all here. I was surprised Ramon who sat in a cabinet with David Peterson and our colleagues from 1987. I am touched that you have taken time out from your schedules to be here.

Why a book at this time? What is up with this? The answer is really quite simple: After I left politics, I had this unquenchable urge to document that fragment of Ontario's political history, obviously, from a very personal perspective. My sense has been for a long time that too few historians have commissions from publishers to add to what is on the library shelf about Ontario politics. And too few players, actors on the battlefield, have written memoirs once they have completed their work. Certainly, Ian Scott did, the late Ian Scott—a brilliant piece. And Bob Rae comes out with a new book about once every four months, and we are scheduled for another one pretty soon. My predecessor at York University, Roy McMurtry, has just come out with a magnificent and lengthy autobiography.

But I just thought that I have the time and the luxury to leave something for the record about what happened during, for me, almost three decades on the political battlefield. Have to tell you that, like politics, writing a book is a collaborative affair, and I received so much help from so many people, and a few of them are mentioned in the acknowledgements. Because he is here today somewhere in this room, I want to say a special word about Colin Andersen. First of all, those of you who know Colin, know that he was one of the truly great deputies in the history of the government of Ontario—and as my deputy. Look, I came into finance, and I did not know what the heck was going on, and soon Colin arrived there as the deputy, and he just served me so well through some pretty hard times that my premier is going to write about in his upcoming work.

So fast forward to that I have left, and I am deciding to write a book, and Colin was one of the many people who gave of his time to take the cobwebs from my memory and help me get it straight exactly what happened over the course of that period, particularly, when I was in Finance and the events that took place afterwards. So through Colin to all of those who helped me construct this, I want to express my very sincere gratitude.

So today, cannot take too long—you have all got busy afternoons. But I thought what I would do having served in two administrations of the Peterson era and the McGuinty era is just offer some highlights, some reflections on those two very different governments and these themes kind of run through the battlefield of Ontario politics.

Let me start with the era under Premier David Peterson. That government was driven primarily by issues relating to the rights of citizens as appropriate to the time. I think of the work that we launched with the Human Rights Code. I think of the work that we did making sure that the French language became the other language of this province. For the first time, the records of Parliament were noted in both languages. I think, particularly, of the work, led by the then premier, that we did on women's rights: The battle to ensure that we passed and implemented pay equity. That was quite some time ago, but think about a province where it was okay to pay women less for their work because they were women. That is a very bizarre concept, but it is only thirty years old, and those rights, the changing of those rights, were part of our administration.

I think of the political rights that were part of the agenda. Our very first bill introduced by the late Ian Scott, attorney general, was the Freedom of Information Act. It seems kind of old now, but before that time, the press, ably represented here today, and the public had no right or access to government information, and the notion of putting television in the legislature so that citizens could watch their politicians do their work was something that we initiated.

I think of workers' rights. I spent two years as minister of labour and was the author of Bill 208, by which, for the first time set in law, a worker has the right to refuse unsafe work. And the changes that we made during that time have improved the quality and the safety of workplace over the course of the succeeding three decades.

I think of patient rights and our battle to ensure that the residents of Ontario could not be billed extra from doctors who are extra billing. Some of you will remember. Howard, you probably remember doctors demonstrating on the front lawns. Our priority was the rights of citizens to get healthcare under the regime of Medicare that was established right across Canada.

I think of environmental rights and the work that Jim Bradley did—things like the "Spills Bill," the Blue Box, the right to have a cleaner environment and, in particular, I think of the work that the then-premier did to try and heal some of the wounds in this country and work towards a constitutional resolution. Meech Lake, ultimately, did not pass, but the mission was to speak to the people of Ontario and the people of Canada about the necessity of having one single nation. So that is not to say that there were not all sorts of other things on the agenda, but, as I look back, it was about serving the people of Ontario and understanding what rights needed to be guaranteed as a matter of provincial law.

Fast forward then from 1990 to 2003 and the McGuinty administration. A very different time. The thing that characterized McGuinty's period in office was, of course, our determination to improve the quality of public services. "We are hard-working parliamentarians," we said, Dalton, "dedicated to the notion of making sure that Ontarians have the highest quality of public services." And that certainly began with healthcare.

I just want to take you back for a little bit back to that era of 2001–2002 when the discussion in the province was all about the fact that public health could not serve us, and we needed to start to improve and fund private healthcare.

After ten years of the work that we did, we have a much, much better healthcare system, one that is responsive to the needs of 13 million Ontarians.

And the second largest expense line was, of course, education. Again, go back to 2001–2002. What was on the agenda? Well, our public education system was failing us so, it is high time that the government started to provide public funds to private schools, and schools were constantly disrupted with strikes and lock-outs and work-to-rules, and our mission right in our first budget was to say, "We need to fix public education." Ten years later, Ontario's public education system is noted around the world for being one of the very best. That was our mission: Higher quality public services.

And in terms of public services: Infrastructure. Our first budget contained dramatically increased revenues to municipalities to deal with public transit, and we continued on that line in every budget. Infrastructure as well in terms of the building of new hospitals—the most extensive program in hospital and related healthcare construction in the history of the 148-year-old province.

Public services also in the area of post-secondary education. Our second budget was dedicated almost exclusively to improving post-secondary education. Now, I get a former premier is no longer chancellor of the University of Toronto. He tried to get York. I just want to tell you. It is a very private matter. He did not get it, so he went to Toronto, but, you know, he and I both know as former chancellors and chancellors that they still talk about what a transformation the Dalton McGuinty government made in 2004 by dedicating billions of dollars of new resources to post-secondary education. The people in this audience know for sure that there is nothing more important that we could do in this province and in this nation than to do a good job of educating our fellow citizens and, particularly, our young people.

We also were determined to improve the quality of public services for Ontario's most vulnerable populations, and that was reflected in every throne speech and every budget. We inherited an hydro system that was a mess, and we realized that if we did not get it to work very quickly, we would fail to deliver the power that people needed to live their lives and run their businesses in the province. So we ensured that there was a massive investment in new hydro construction, refurbishment of nuclear plants, refurbishment of the transmission system and, most important of all, a commitment to stop burning the coal that was poisoning us in our cities and towns and move to renewable energy.

And, of course, the reforms in our system of taxation. I will never forget the day that Dalton McGuinty called me into his office, and he said, "It's high time that the province stop collecting corporate income tax," and, "Let one level of government, the federal government, do that and collect our taxes and remit them back to us." It sounds so simple but, you know, it saved businesses in this province billions of dollars over the years in fees that they no longer had to pay to file two completely different tax returns.

And, of course, you know, talking about reforms to the tax system and higher quality services that you have to pay for, the man to my left took on courageous work by bringing in the HST. I will tell you the story that I told last night. I nearly quit because I was chair of the campaign for 2011, and I thought, "My God, no government in Canada has ever been re-elected after they brought in an HST," and I whispered to my staff: "Why are we committing political suicide at such a young age?" But this man as finance minister and that man, as premier, knew what I soon learned: It was the single, most important initiative that we took to help Ontario recover from a debilitating great recession that had infected, not only Ontario, but Canada and the whole world.

So, two very different administrations. What they share in common is that they responded to the issues of the day and, of course, that is what really government is all about—individuals elected by citizens to respond to the issues of the day. Which one was better? Well, I am not going to be dragged into that, Premier. But I will say that each of them had a shortcoming. The life of the Peterson government ended too quickly, and the shortcoming of the McGuinty government is that it ended with the most offensive of the most unjustified attack on a premier that had served so well that I have ever seen in the history of this province, and I have read some of the history.

Just in that regard, Bruce Power has given you a free copy of the book. That is good. They paid for it, and I do not get any royalties on those. If you do not read anything else, I ask you to read the chapter called, "The Truth about Gas Plants."

Now, suddenly, I am an author. I am not really an author. I am a guy who wrote a book about my life in politics, but they say that authors are supposed to read a snippet from their work, so, okay, bear with me. Most of this book is about the past, but I thought, "You know what? I'm writing a book. I need to set out some of the issues that I think are going to challenge us in the future. The final chapter is called, "What's Ahead?" And I will just go through about a page. I say as part of the introduction to this that I am with Barack Obama: The most important issue of our day is the growing inequality and wage gap and the separation of those that have and those that do not have in societies right across the world. The International Monetary Fund is now taking up that view:

We have not had a significant re-examination of our system of taxation and wealth distribution since the Carter Commission established by the Diefenbaker administration over fifty years ago. Since then, the Canadian economy has been totally transformed. Surely it is time now for a comprehensive re-examination of the tools that regulate the creation of wealth and its distribution and the capacity to fund public enterprise, from income support to infrastructure development.

In my view, the best evidence that this work is long overdue is the state of finances of every Canadian government. Instead of designing revenue policies that match the need for public financing, governments simply increase the burden of deficits that future generations will have to contend with.

The notion of income support for those in need has been deeply ingrained in Canadian society for decades. That commitment has resulted in a cornucopia of programs at all levels of government. The list is long. Employment Insurance, Canada Pension Plan, Old Age Security, Guaranteed Income Supplement, Disability Pensions, Workers' Compensation, provincial and municipal welfare programs, federal and provincial child benefit programs, property tax rebates, rent supplements, tuition assistance. The list goes on until all else fails—and then there are food banks.

All of these programs share a single common objective, to provide income support for those who, for one reason or another, no longer have the capacity to make it on their own. The reality is that administering so many different programs carries a very high cost for public administration. Tens of thousands of bureaucrats working tirelessly at all levels of government designing, administering and adjudicating these programs to support those in need.

Surely there is a better way and one that is more efficient.

My notion of a better way and more efficient system would be a comprehensive, Canadian Income Security System, or CISS, as I call it, administered by the national government in Ottawa.

Municipalities have no business being in the welfare business, and the capacity of provinces to provide adequate levels of support varies across the country. Only the federal government has the capacity to generate the revenues and administer the system right across the country to respond to the needs in every region in a fair and substantive way.

So, let us have a debate about that in the upcoming election.

People have said to me, “Do you miss politics? Do you miss the battlefield?” The answer is, “No, I don’t.” It was three decades of my life, and I feel comfortable with the closure, but there is a caveat—most of you in this room know this: The strength and power of the relationships that are formed on the political battlefield are like nothing that the human heart experiences anywhere else, at least in my experience. Relationships that are so very a part of one’s spirit as one is waging one political battle and for all of us, for two premiers in particular, spread all across the province, and they are very deep.

What I miss is the quality of that affection and commitment and the kind of camaraderie that inevitably comes from battling on the battlefield of Ontario politics.

Thank you all for coming today. Merci beaucoup.

Questions & Answers

Q: You have talked about the importance of relationships, and yet you wrote a book. Were you at all concerned about the difficulty of writing a candid book and maintaining personal relationships?

GS: Yes, indeed, I was; however, the first thing that my publisher at Dundurn said is, "If you want to write a puff piece about how everything was just roses and honey and sweet and everyone was on their very best behaviour, we are not interested." Now, that is their mission. On the other hand, I want to be truthful with you: There are a lot of stories that I just—I am going to keep to myself, so I have reached a very happy, liberal, mushy middle in that regard.

Q: Is Martina going to be releasing a new album?

GS: Well, you know, I am not sure. She is working like crazy right now writing materials, but she has gone off the tour circuit a little bit, and I am not allowed to disclose anything about her career without her sign-off, so I will leave it at that.

Q: Did you quit smoking?

GS: No. Do you have a cigar because—Steve, I will meet you out there.

Q: You talked in the opening of the book how the most difficult day was the day the RCMP came to visit you. It was probably one of the most challenging

things in life to have that interrupt your life. You survived, came through it. What is your lesson to us? What did you take from that of how you maintain your sanity when such a difficult situation affected you, your family, your party, your province?

GS: Howard, I appreciate that question because that day is seared so powerfully in my memory, and, truth be told, on that day I thought, "That's it," because I had read political history. I know what happens to politicians who have to resign when the RCMP is investigating them on a matter that is essentially ethical. So it was a body blow. I thought, "That's it. I got to be finance minister for two years and will not be a candidate next time around. I better find something else to do."

But the support, Howard, that cocooned around me immediately, obviously, from my family but others who said, "You know what? There's nothing there, Greg. You've got to fight this thing." And then something else happened which is a lesson that not every politician gets to understand, and that is that there is life after politics. And I started to enjoy the fact that I did not have to be at the Frost Building, 7th floor, every day at 8 o'clock. I had much more time with my wife and my kids. I started to really enjoy them. Okay, I can live without this, and if this thing never goes away I always thought that, you know, if anyone ever wrote about me, the second paragraph would be about "and he had to leave politics under a cloud of an RCMP investigation."

But Dalton has always said, "Sorbara, you're the guy that's always pushing, and I'm the guy that's always trying to slow you down." So the matter was resolved on the Thursday before the Victoria Day weekend in 2006. Yes, 2006.

So the premier called me and said, "Okay, Sorbara, get down here. We want to swear you back in as Minister of Finance," and I will never forget the conversation. I said, "Premier, it's the Thursday before the Victoria Day holiday. If we do this, there are forty bureaucrats in Finance who are going to hate both of us because they are going to have to spend all weekend long bringing me up to speed as to what the issues are and reintroducing themselves and getting me ready to be back in the legislature as the Finance Minister." So I said, "Why don't we all have a great Victoria Day weekend, and I'll see you Tuesday?" And he said—I am quoting him now—"Jesus Christ, you're always the guy who is saying let's get it done real quick, and now you want to hold off." And that reminded me that politics is a very important mission, but the quality of one's life comes from a whole bunch of other even more important things.

Note of Appreciation by the Honourable Dalton McGuinty, Former Premier of Ontario

Good afternoon, everybody. Thank you so much for taking the time to join us here today, and, on your behalf, I want to thank Greg on a number of counts. First, Greg, thanks for yet again bringing us together. You have been a powerful, magnetic force over many years. You have this magnificent capacity to bring us together and to fill us with enthusiasm and a sense of the possible, and he has done that yet again. Thanks for your thoughtful remarks. It has been said of those of us alive today that we are drowning in information and thirsting for wisdom, and it seems to me that a prerequisite for wisdom is reflection. So I am grateful that there is somebody of Greg Sorbara's experience and abilities who has taken the time to cast his mind back to try to better understand what it is that he lived through and that we all lived through together and to put that to paper.

I have been following in Greg's footsteps as a purported author. We share the same publishing company. The only deal that I made was I said I want mine to come out after, so I can correct Sorbara's record.

I want to thank Greg for being a Liberal in the classical sense. He is a Laurier Liberal and if I could somewhat paraphrase the Laurier, Greg has been condemned by his very nature to relentlessly pursue progress for others, to unfailingly work in the most important business of all, the people's business. For some 23 years, Greg has been to me a good friend, a trusted advisor, a fearless champion and, on occasion, a royal pain—HST being but one example of his obstinacy. But whether as president of our party, as a guy who laid the foundation for, in fact, four successive wins, whether as a Minister of Finance, who did so many good things for the people of Ontario, including introducing the Ontario Child Benefit that today is benefiting over 1 million Ontario children growing up in low-income families, most of all we owe Greg for his commitment to public service. I remember calling Greg—I think it was about 15 years ago—and trying to recruit him back into active political service. Now, it is one thing to come into politics if you have never been there before and do not know any better, but when I asked Greg, notwithstanding his earlier experience, he never flinched, and, at the end of the day, it became apparent to me he was not so much listening to my entreaties as he was listening to his own heart and his yearning to perform yet more public service.

So, Greg, on behalf of all us here and all of those throughout the province and, indeed, the country whose lives you have touched and improved, we say, "Thank you very much."

Thank you.

Concluding Remarks by Andrea Wood

Thank you very much. I would like to take a moment before you all leave to thank our generous sponsors today. The Carpenters Union, Bruce Power and Scotiabank, thank you. I would also like to thank the National Post as our print media sponsor. This meeting will be broadcast on Rogers TV.

You can follow us on Twitter at @Empire_Club and visit us online at www.empireclub.org.

Thank you very much for coming. We hope to see you again soon at one of the events that is advertised in the brochures on your table. Thank you very much for coming. This meeting is adjourned.

The Empire Club Presents

SHELLEY BROADER
CEO, WALMART:

LEADERSHIP TODAY: STAYING AHEAD OF THE CURVE IN TODAY'S HYPER-CHANGING WORLD

November 17, 2014

HEAD TABLE:

Distinguished Guest Speaker:

Ms. Shelley Broader, President & CEO, Walmart Canada

Guests:

Mr. Clay Broader, Student (Shelley Broader's son)

Mr. Stephen Brown, Partner & Retail Consulting Leader, Deloitte

Mr. Sunir Chandaria, Vice President, Conros Corporation

Ms. Anita Gupta, President & CEO, NMI Sales Tax Consultants

Mr. Stephen Hewitt, Senior Manager, Corporate Affairs, TD Bank Group

Mr. Jim Muzyka, Senior Vice President, Xerox Services

Mr. Ernie Philip, Vice President, Xerox Services, Xerox Canada

Capt. (Retired) the Rev. Phil Ralph, CD, National Program Director; Wounded Warriors Canada; Regimental Chaplain, 32 Combat Engineer Regiment

Ms. Andrea Wood, Senior Vice President, Legal Services, TELUS; President, Empire Club of Canada

Welcome Address by Andrea Wood, President, Empire Club of Canada

Ladies and gentlemen, the retail industry, like many others, is undergoing a period of massive transformation. Globalization, e-commerce, and income redistribution are some of the forces driving that transformation. There are very few companies in the history of retail that have been as adept at surviving changing economic circumstances as Walmart. Founded over 50 years ago by Sam Walton, Walmart began with one store in Rogers, Arkansas. Today, it is a global giant. It serves 200 million customers each week with 2.2 million employees and 11,000 stores in 27 countries. It is massive!

Our speaker today is responsible for Walmart's operations in many of those countries. Shelley Broader is the President and Chief Executive Officer of Walmart's EMEA region. As you heard during my introduction, this means that she has responsibility for the company's retail operations and business development across Europe, the Middle East, Sub-Saharan Africa and last and, certainly, not least Canada. Not only does she have a massive portfolio within Walmart, but she has been at the forefront of advancing women in the retail business. A program that she pioneered in Canada, the Women in Retail program, has now been exported across the Walmart organization, and we are honoured to have some of the participants in the Canadian program with us today. Would you stand up and be recognized, please?

Shelley has her work cut out for her. Walmart has been in Canada since it bought 122 Woolco stores back in 1994.

Remember Woolco, everyone? Since then it has been a favourite destination of value-conscious Canadians, but the competitive environment has been particularly fierce in the past couple of years with the arrival of several American chains. Walmart has successfully navigated that environment with Shelley at the helm. That is not surprising. You will soon see what I mean.

We are very grateful that Shelley has joined us today to share her perspectives on what it takes to stay ahead in today's hyper changing world.

Shelley Broader

You know you are jetlagged when you get exhausted just listening to your own bio. Well, first of all, thank you so much to the Empire Club for this incredible honour of asking me to come and speak today. And the topic that I was asked to speak on is how do you stay current and how do you keep ahead in a changing environment? And I think how best to do that is to tell you a little bit about how I got to where I am today, which is quite an unusual position. The combination of the Middle East and Europe and Africa and Canada seems like an unlikely group of countries to amass together to form a region in the Walmart chain. But there are many reasons why those countries fit perfectly together. So I was born in the U.S. in the Pacific Northwest in Spokane, Washington, and for my entire life I knew what

I wanted to be and that was a journalist. So many of you had dreams of what you wanted to be. There are firemen in the audience today. There are soldiers in the audience today. There are doctors and nurses, but, instead, we ended up where we are in our current employment. So when I went to university in Washington I specifically chose my university because of their incredible journalism school, Washington State University. And when I graduated from school and did my first internship, something really unusual happened in that first internship, something that I had not personally faced that often in my own life, and that was I was not very good at it.

Now, I was pretty darned good at journalism in school when it was all a very controlled atmosphere, but when I got out there, and I realized that there is no News Team 5 bringing the news to you; there is a series of independent contractors trying to build their own résumé tape to get to a bigger market. And so—oh, and I see the journalists in the audience laughing at that—what I found was that I got my lunch eaten. I was not aggressive enough, and I did not understand the business of journalism and the business of media.

There is a good chance I could give them hell today, but then, again, I did not, and so I did what most good washouts do, and that is move home and live in your parents' basement. Now, there was only one problem with that and that was the basement was already populated by my older brother, who also had washed out and was living in my mother's basement.

So my mother gave me this incredibly generous gift, and I grew up very humbly. My father was killed in a car accident when I was a very young child, and so my brothers and sisters and mom and I really forged together to form our economic family unit. And so for my mom to say, "I am going to find the money, and I'm going to buy you a ticket to any city that you want to go to so you can start your life," kind of seems like Mom kicking you out, does it not? But, in fact, it was not. She wanted me to have an incredible life experience, and she said, "You have hunted your whole life down. Now, you have got to let your life find you," so, in the late 80s, I packed up and moved to Boston, Massachusetts. I had never been there. I did not know anyone there, and I did not have a job. I just showed up in Boston. I do not know if you remember a show called *Spencer: For Hire*, but it used to be on TV, and I thought it looked cool, so I moved to Boston, and I ended up getting a job in the mutual funds business. I was not a finance major. I was not a math major. I was a journalism major, and I remember during the interview when they said, "Are you familiar with the market? Are you familiar with the bond curve?" I was, like, "Sean Connery? Good." So I was familiar with the bond curve, and I went into the financial market, and I had never in my life studied so hard. I studied so hard to understand the financial market, to understand mutual funds, to know why people would want to own a group of funds versus an individual stock, and I found that I quite liked it. I got my Series 7 license there and was an inside wholesaler selling mutual funds to other licensed dealers, and one of my best clients was in Albany, New York. And, lo and behold, I had a very nice boyfriend who was also from Albany, New York. It was kismet.

My husband says I used to date for dinner, and that is the only reason why we met on a blind date, but I was a little hungry in those days. My husband and I met—he lived in Albany, New York—and I went to work for my biggest client there. After several years, still trading stocks and bonds, I found that my biggest client at that time was a supermarket chain in New England called Hannaford Brothers, and I used to do debt financing for them. And Hannaford Brothers called and said, "Gosh, we really like working with you. Why don't you come and work for us in the Finance Department?" I said, "Well, that sounds different and interesting, and buying and selling groceries has got to be like buying and selling stocks and bonds. I'll go," so my husband and I packed up, and we moved to Portland, Maine to work in the Finance Department at Hannaford Brothers. And the way that Hannaford worked at that time was that this was a retail business, and so I had a bit of a flashback from my days of interviewing in Boston when they said, "Are you a retailer?" I liked to shop a lot. I thought perhaps that qualified, so I said that I was a retailer.

And Hannaford's training program was that every person that worked in their corporate office needed to understand the most important jobs in the store, and the most important jobs are the ones that are customer-facing. So, they take all of their associates, and they put them in the stores for a six-month period of time.

So I had been a journalist; I had been a banker; and now they were throwing me out into one of those supermarkets for my training, and I got out there, and I was overdressed. It was the 80s, so I had big old buttons on my suit jacket, and I was out there, and it was my very, very first day on the job training to go into the Finance Department. But I was in the stores, and I was on the register, and they had this orange cone at the end of the aisle. It said, "Thanks for being patient. I'm new." And you could see people push their carts up to my lane, and then go, "Ah," and then speed by. No one wanted to come to my checkout, and so I was learning—and it was very slow. Booop, booop! And I looked up—and you know when you see someone, a friend or a co-worker or a teacher or your religious leader, and you see him out of context like at the bowling alley? They look all weird. So I saw this man coming through my line with his Barbasol, and he looked at me, and I looked at him, and we knew we knew each other, and then I remembered: The gentleman that I had done a debt financing deal with two weeks before for millions of dollars for a petroleum refinery in Brooklyn, New York. And he looked me in the eye, and he said, "Shelley, what happened?" And I said, "I've changed careers." Booop, booop! And I was incredibly embarrassed. And I remember going home to my husband that night and saying, "Oh, the worst thing ever happened to me today at work. I am booop, boooping, and the people are going by. I wasn't good at it, and then, you know, the guy from Simba Petroleum is in my lane, and I'm so embarrassed." And my husband says, "Why were you embarrassed?" And I said, "Well, booop, booop!" And he said, "Well, you're not proud of working there? Then why did you take that job?" And I said, "Well, I didn't. I'm going to work in the Finance Department." And he said, "No, you work for a supermarket company in the supermarket business." And that did not sound like that big of a deal, but it was actually quite an epiphany for me, that I had really made the decision just to move because I had met nice people in the Finance Department. I had not really decided that I was going to be in the retail business, and the retail business is a very unique and different kind of business that does not have the sexiest reputation. It is not journalism. It is not investment banking. It is, you know, booop, booop! And I made a decision right there that I was going to find my way to love that industry and to find a way to be so proud of being a retailer.

And what happened to me next was in my rotation in the stores, a really unique thing happened to me, unlike my experience in journalism. And that was I just fell in love. I absolutely fell in love with retailing, and it is fun to sell you stuff. It really is, but even more fun than that is working with the associates. You talked about the millions of associates that work for Walmart around the world, but the associates that work in retail are an incredible microcosm of the world, and so in a retail environment, you find people whose IQ is infinitely higher than mine, whose EQ is infinitely higher than mine, whose life experiences and skills and work ethics are infinitely better than mine. But some situation in their upbringing, in their life, in their job, in their career, in their continued education led them to say, "I'm going to go work at Walmart," or "I'm going to go work at Sobeys" or "I'm going to work at Loblaws for a couple of months until my mom gets better," or "…a couple of months until maybe I enlist in the service," or "We didn't know we were going to have that second baby, so I'm going to take that part-time job." And pretty soon, a year goes by and two years go by and three years go by, and what started out as a stop-by job for lots of people in retail becomes their life-time career, and so my job became finding these PhDs waiting to be discovered, finding these people with accounting skills and mathematical skills that would blow your mind with how clever they are or people that can look at a complex problem and solve it instantly because their life experiences have led them there.

So my passion, retailing, has really come from the people side of the business, not that I do not love selling stuff. I do, but it is the idea, you know, in Canada, that the 100,000 Walmart associates here and their collective intellect and wisdom and work ethic gives us the ability to do such cool things. And I have learned just so incredibly much from them.

So I now have been in the retail business for over 25 years, and through that time I have done every single job there is to do from cashiering, as we know, to working in all of those deli departments, meat departments, night crew. I ran a distribution centre for a period of time so, yes, I had the steel-toed boots and am fork-lift trained, and I ran the merchandizing and buying departments, the marketing departments, communication. I have done every single job in retail that there is to do except the one I was hired for. So I have never been the CFO.

It is funny how life changes, and part of this idea about remaining flexible is looking for the opportunities that present themselves to you and having the courage, not necessarily the foresight, but the courage to take yourself, your business, your career into a direction that you never thought it would end up in.

As I look at the Canadian marketplace today, we were five years ago a sleepy market. It did not feel necessarily like a sleepy market, but it was a sleepy market. I venture to say that of the big retail brands that are multi-national or of all of our suppliers that supply the world, if they were to rank their most profitable markets, not their biggest markets but their most profitable markets, Canada would rank right up in that top quartile if not higher for most firms, for most vendors, for most suppliers. So the shoes you buy, the TV you watch, the car you drive, the paint on your walls, the company that is manufacturing that is making a lot of money in our market. So in the last five years on a scale of retail competitiveness, Canada has gone from what would be considered—it sounds insulting but—less of a competitive market to now in this short period of time entering a phase called "hyper-competitiveness." There are very few markets in the world—the U.K. being one, Japan being another—that are considered hyper-competitive, and the things that add to hyper-competitiveness is lack of top-line top growth, lack of population growth. So there is not an enormous amount of in-bound customers for you to win over. Very, very good, strong, solid, local retailing. There is world-class local retailing in Canada. We have some of the finest home-grown local retailers in the world. If you look at Shoppers Drug Mart, if you look at Sobeys, Loblaws, Canadian Tire, those are some of the finest in their space in the world.

And then you have got the entrance of global, multinational payers. It causes this phenomenon called "hyper competitiveness" which means that most of our business needs to come from each other, instead of coming from a new source of growth. And so when you have the Queen Mary, like we do—and everyone knows the old adage that it takes a long time to turn that ship—how do you make sure that a company that is 52 years old does not feel like a company that is 52 years old? Feels like something that is happening. Well, it is tough, and we are not always successful.

There are many, many keys to how to stay ahead, and one of them is not to rest on your own laurels and not to believe that what got you here will get you there. And that is an adage in business that is talked about a lot, and we are sort of tired of hearing some of these old phrases. But a few of them are really amazing, and in this particular, ten-year period—five years past and five years ahead—we will see more change in the consumer and in retail than we will see in our entire lifetime or that happened in generations before us. And there is one thing that is driving that, and what is it? Technology.

So before—and I mean five years ago or less—I was in charge of what you bought. You probably did not know I was in charge of what you bought, did you? But I was. I was in charge of what you bought. I decided what tape you wanted to wrap your Christmas presents with, how many pairs of panty hose should you look at before you buy, what type of power washer you would want this spring? I was in charge of that, and I was also in charge of how much I thought you would be willing to pay. So who is in charge of those decisions today? You are. You are.

So there is a job in our company called "Category Manager," and what a Category Manager does is a Category Manager would look at a category like power washers, and they would say, "Okay, what is the opening price point power washer, the lowest power washer that fits for purpose?" That means you plug it in; you hook the hose up; and water squirts out real hard. Okay, that would be your opening price point power washer. Then you would identify the range of all the other power washers that have all the bells and whistles up to that one that would just take your skin off right there at the very high end. So he would decide or she would decide which one of those is best, how many we want to carry that and how we move that through the system.

So, today, if you were in the market for a power washer, what would you do? You would Google it, somebody said. You would go online, probably Google it, and you would look up 'power washer', and there would be an array of power washers that would blow your ever-loving mind, that would come up when you Google it." And you now are your own Category Manager, and so what Walmart and companies like us need to do is find out how we meet you at that intersection of digital and physical.

So there are companies that had been very successful, digital only. There are companies that are—most companies—very successful, bricks-and-mortar, physical only. The successful retail companies of the future need to understand the intersection of physical and digital. Many people have written and analysts have written that our stores will end up being an albatross to us, that our millions of stores, hundreds of thousands of stores all over the world in 27 different countries will end up being an anchor to us or an albatross. But in fact, to us we view our bricks-and-mortar stores as our most important and significant competitive advantage. Let us look at Canada, specifically—second only to Russia in land mass with a population of California that has got some barriers to entry. There is a whole lot of space and not a whole lot of people, and we live in a pretty concentrated area along the border, but Walmart already serves even the outer regions, everywhere except a couple territories. We are there and so instead of being burdened by that bricks-and-mortar asset, the way that we view it is we have 400 points of distribution. We have 400 points of distribution to customers. So when you are searching for that power washer, you get to make a decision that you never had the power to do before and this will be in every aspect of your life. Am I here for information, to learn? Maybe. Am I here because I want to decide where I am going to go purchase this Saturday morning, and I want to know what the hours are and what stores are available? Maybe. Are you looking to see if the store you usually go to has these items in stock? Maybe. Would you like them to drop that off at your cottage because that is easier than having it to your home? Maybe. Would you like to pick that up on your way because you have other shopping to do that you want to do in person so you want to pick it up at the store?

Maybe. Do you want that sent directly to you house so that you do not have to worry with that? Maybe. Would you like that sent to another location where you are also having something sent so you do not have to go to two or three spots on your way home? Maybe.

All of these options are at that intersection of digital and physical, and the winning retailers and the winning businesses outside of retail will understand how to master that intersection. They will understand that all of the power that we had for years in how we priced and how we assorted and how we promoted and how we hired and retained associates has now been surpassed by something infinitely faster and smarter than most of us. By the way, this is a $5 phone case from Walmart.

We will all be replaced by that technology unless we find a way to be enhanced by that technology, and you can live in fear. Boy, we do. There were early years at Walmart where we though "That new fangled internet is just going to be fad," right? Everybody had those thoughts at one point in time until you realize you have got to go side-by-side with technology.

How many of you have a Twitter account? How many of know what Snapchat is? How many of know what Tumbler is? Pretty good. How many of you have goofed around on Twitter during a sporting event or a live broadcast of anything? Okay. If you have not, I suggest that you do because A) It is the funniest thing ever and B) you get a real feel for how knowledge is shared and trends are started. I am going to tell my favourite—I can just see the poor Walmart table is going to say, "Oh, God, don't. Please don't," but I am: Talk about *Sharknado*. How many of you know what *Sharknado* is? Raise your hand if you know what *Sharknado* is. Okay, you will be safe then when it happens. So *Sharknado* is a movie made by the Syfy network, and it was probably made for less money than it cost to hold this luncheon. It is the story of a tornado that goes over the ocean that is so powerful it picks up sharks, and then that shark-filled tornado goes over and gets dropped on Los Angeles, and there are live sharks eating people all over Los Angeles. It is so preposterous and so ridiculous that it is unbelievable!

And when Sci-Fi Channel aired *Sharknado* something phenomenal happened, and that is that a couple of kids watching Shark Week saw the sharks flying around in the tornado and started a Twitter handle about it on Twitter. So people looked at it, and they said, "What are these guys talking about?" And they turned the TV on, and then they laughed at how bad the movie was, and they tweeted, and then it started to trend, and what happened with *Sharknado* is by the end of the movie, 90 minutes of fun and frivolity with flying sharks and chainsaws, it became a cultural phenomenon that this terrible, low budget movie took over social networking. Out of that came *Sharknado* 2, *Sharknado* 3. These B-roll movie stars that were in this terrible movie are now cult heroes, and this idea of interacting with a greater group during live events is the real future of how trends are made. And so keeping yourself current does not mean you have to participate in Twitter, but you should have a Twitter handle whether it is really your name or one private, that you go on and look at. And if you are a hockey fan or you like sports, watch how the other patrons that are like-minded to you communicate to each other.

So many people felt that more and more time on computers would be more and more isolating to people, and I think what we have found is that more and more time on computers has a way to bind together like-minded people. That is a positive thing, and that is a negative thing. The positive thing is that when you are trying to sell to a certain demographic, young moms, for example, you know where to find them. You know how to talk to them. You know the things that will attract them to your site and to your product. Those are the positive angles. The negative angle is that things that are very small factions can find each other in very powerful ways. So the way that we think of social media is, whether you like it or not, it is your marketing department. Right? So people talk about how much money they are spending on marketing or how their brand image is going. Your social media image, your brand image today is created by social media, not by you.

So the idea of authenticity in your brand is greater than ever, and the idea of authenticity in your leadership style is more important than ever because, although this is a device, it seems to know all and see all. And so as we lead new generations who have grown up very free to comment, very free to rate things with stars, very free to research the comments that they hear at work, very free to ask their friends advice before they buy anything over $50, the idea of them just listening and doing is over. Everything that we say and do is researched, is shared with friends and is communicated.

My belief at work, at Walmart, is that every time I get up in front of a group of associates and friends that there is a very good chance that that is being recorded, that if I say something that is funny or out of context or slightly on the edge, that one little sound bite might get tweeted out, or might go on YouTube and might be viral. And when you have got a name like Walmart that lots of people are interested in good and bad things about, how dangerous this tool can be as well. So as exciting as technology is, as exciting is that change is, as dynamic as the new customer, new associates are, it comes with that downside. You must be fully authentic, but you must really be prepared to see it on YouTube. You must really be prepared to see it on the front of the *Globe*. I remember early in business when I started out in the U.S., someone said to me, "Everything that you say or do, you should be prepared to see that on the front of the *Wall Street Journal*." I was like, "Yeah, right." But you know what today? That is true. We have even seen it with friends. We have seen it with people that we know. We have seen it with companies that said, "This becomes the all-knowing and all-seeing device," but it does not provide context, and this is the ultimate taking-out-of-context tool.

So as we move forward with technology, and as we move forward with generations who are used to full transparency, we must make sure that we alter our own styles and lead very authentically, very transparently because nothing else will be accepted. Nothing else will be believed and everything will find its way to be verified.

And so I have had a very interesting career. I have moved from banking to retail. I also had a couple of years running Michaels, the arts and crafts chain as well when I first got associated with the Canadian marketplace. I have learned so much about customers and so much about associates, but I have also learned so much about myself, and, every year, I am a different person than I was the year before. Every year I meet new people who teach me things about the world or teach me things about the business or help me to understand the new digital world or help me to erase some of the long-held beliefs that I had in business. And I think staying current is about a voracious need to be a life-long learner. And I know my children still have to program my TV, but, outside of that, I try very hard to stay technologically current, and that does not mean that I kill them on World of Warcraft, but I do know what it is, and I do have an account on World of Warcraft, and—no, I am not telling you what tribe I am in—I do play a couple of times just so that I am conversant, and I know what that is. Understanding Snapchat and understanding new technology is so critical and utilizing it in your business.

There is a new venue coming out called "SoapBox," which is a little bit like Twitter but it is a way to have an authentic conversation with your customers. The good part about it is you get to have a nice, authentic conversation with your customers and understand how they feel about you and your brand. The scary part about that is you get to have an authentic conversation with your customers, and you get to find out what they think about you and your brand.

But Walmart, at 52, is not shying away from those opportunities. So you will see us active on Twitter. You will see us holding interview sessions with our customers on Facebook. You will see us using SoapBox to get groups of customers who are both fans of our brand and who are not fans of our brand to talk to them and understand their viewpoint in a very authentic way.

So this is a hyper-competitive market, and, most of us, regardless of our business, are only gaining share by taking it away from one of our competitors or by innovating our way and finding an unmet need. We need to treat our own skill set that way, and we need to treat our associates' skill sets that way as well. Are you relying on the usual suspects to help you with your strategy? Are you looking around your company and looking at the true, true meaning of diversity? It is not just gender. It is not just skin tone. It is not just country of origin. The true meaning of diversity is a difference in thought and a difference in life experience, and when you can put around the table people of different generations, people of different genders, people of different sexual orientation, people of different educational background all together, your opportunities to come up with a more robust answer and win in a hyper-competitive market are greater than those who do not, and so I always view diversity and especially diversity at Walmart as just an unbelievable competitive advantage.

So how have we managed in 20 years in Canada and 52 years in 27 different countries to remain ahead? And it is by understanding what it takes to work in a hyper-competitive market. It takes the best talent. It takes the most knowledge of your customer, and it takes remaining a life-long learner and not holding on to sacred things that you felt were only unique or special to your business or that you invented. But it is making sure that we are not hanging on too tight, and that we are seeing an incredible view into the future.

And so to close, I talked a little bit about sort of the uniqueness of my region, right? So I have got the Canadian market. Unbelievably awesome. I have got the U.K. I have got Africa and the Middle East. Seems like one of these things just does not belong, right? Or maybe a couple of them do not belong. But the way that Walmart looked at how they grouped the regions, unlike what a lot of people do, is I have got emerging markets. I have got markets where we only have a few stores in, and then I have got markets, like Canada where we are very populous with store counts, the same with the U.K. under the brand of Asda. We have hundreds of stores there, but what we have is a sophistication level in the operations of those businesses, so even though they are in an emerging market, the structure in which those businesses operate and the use of technology is what binds that group together. Both the customer set and that manager set, the executive set, use of forward thinking technology, e-commerce, home delivery is what is binding that group together.

So even a company that was forged on Main Street, literally the first store on Main Street in Rogers, now decides how their companies fit together by their use and ability to use and execute e-commerce and technology.

And so moving your corporation forward and thinking about this new intersection of physical and digital will determine who is sitting in this room five years from now and who is not and whose companies are growing and thriving and acquiring and whose are not. There is not going to be a this-is-a-choice for us. This must be integrated into the way you market, into the way you hire, into the way you assess your own talent and the talent of your associates because the world will not wait for us if we are lagging too far behind. And I know, as I said, I grow and learn every single day.

It will be very interesting to come back in five years and talk to you all again and see where we have come at that point because the use of technology, the idea of retailing and the idea that all the power is now in the hands of your customers. It is now in the hands of your customers, so you have got to be the most easy user interface, no matter what your business is because you no longer have power in transaction. All transaction is in the power of your customer, and that will continue to move us all ahead.

Thank you very much.

Questions & Answers

Q: A friend who works with Canadian Tire, tells me that they receive 500 emails per day. Just curious to see how many approximately do you receive because I am sure it is way up there.

SB: How many I personally receive a day?

Q: Or Walmart Canada.

SB: We receive thousands of emails a day because of the accessibility at Walmart. My own email address and name, for example, are not hidden, so it is kind of easy to find me. I receive dozens of emails from customers a day, but customers go to our stores a lot, but we receive thousands of emails a day from customers.

Q: And my second question is companies who have wonderful products that would be very suitable to retailers are not finding that they always get the attention. So my question is, really, as opposed to going directly to the buying group, should one go the category group or another area to understand where the product fits, like you were saying, in the ecosystem?

SB: I think the only way into Walmart is through the buying group, so it is the only way in. If you want to meet me afterwards, we can talk about who that is, and I can make sure that we take a look at it. It is a gauntlet getting in there. There is no doubt about it. If you think about the number of products that we carry today versus the number of new product introductions in Canada every year, it is impossible—literally physically impossible for us—and so we do have to manage that down. And we have got Category Managers here today that can explain that process, but we do have to whittle that down.

And there are incredible, exciting, dynamic products that we have not seen the value in. We have turned them down, and you see them killing it somewhere else. So at the end of every one of these decisions is somebody's personal opinion, and sometimes you have to go through many personal opinions before somebody sees the diamond in the rough.

Q: I have had the chance to visit Walmart in Arkansas, and I was quite shocked how receptive it was and how engaging it was to speak to just about anyone at Walmart. So I was wondering why is it so open? I was able to speak to Mike Duke, and it was just a very friendly environment, and I was wondering why is that?

And my second question is I was able to visit the Walmart To Go stores, and is there any chance of that rolling out in Canada or within the U.S.?

SB: Thank you for that question. We have a very, I would say "unique" except I am going to go all the way to "strange." We have a very strange culture. I have only been with Walmart five years, right, so I spent the majority of my retail life elsewhere, and when you interview at Walmart, they talk about the power of their culture and the uniqueness of the Walmart culture, and you kind of go, like, "Yeah. Uh-huh." Everybody's culture, right? And then you go to work there and part of the secret of our culture is there is sort of core basic beliefs, and one of them is respect for the individual. And we have what is called an "Open Door Culture," and what an "Open Door Culture" means is that a CEO of Walmart Canada, my door to my office is open and as an associate of Walmart Canada, whether that is in the stores, in the distribution centres, in our e-commerce centre or in that office, my office is your office. So, I do not have a special parking place. I eat next to you in the cafeteria, and if you want to come in my office and ask me a question, you come in my office and ask me a question. That culture is in 27 countries.

So when I go to Arkansas or when any of our associates goes to the Home Office in Arkansas, when they get in there, if they want to go see now Doug McMillon, there might be a line there, or he might not be there, but their ability to go see him, talk to him, email him is 100%, and it is very unique.

I have never actually seen it operate that way before, but it is this idea of equal status culture where we believe most of the solutions and the answers to our problems come from our frontline associates because they are closest to our customer, and we must listen. It is an imperative to listen to them and that their ability to communicate back to the store support centre is one of the most important and key parts of our culture, so you would find that in Canada today.

Actually, one quick funny story, and I will not mention the other retailer, but it is another really big, giant, huge, giant food retailer in Canada—real big—and we hired somebody from there, and they were in the cafeteria, and they happened to be sitting next to me at the table in the cafeteria, and somebody says, "Oh, you've been here a couple months. How's your experience going?" And he goes, "Yeah, it's great. I really like it here but, you know, everybody talks about the fact that your executives are everywhere and all accessible and everything. I've never seen any of them." And they go, "See that person sitting next to you and has been sitting next to you for that last two weeks at the lunch table? That's our CEO." So it is like people do not even know, and it is funny, but it is a very accessible culture. I have never seen anything like it.

Q: **My question is around digital and physical and print media. I see companies spending tens of millions of dollars on print flyers, and common sense would mean eventually that is going to end, but it does not**

seem to end. It seems to go on forever. Can you kind of talk about that?

SB: No. I will tell you a quick anecdote from my U.S. days. So I had been a U.S. retailer for, gosh, probably 20 years before I came to Canada—18, 19 years before I came to Canada. And at that time in the U.S., we had started cutting back on print significantly because we would not see a big difference in sales on items in the flyer when the flyer was issued on flyer day. It just sort of became, as they would say, bird cage liner. It just became just sort of too much noise.

So I moved to Canada. I am running Michaels. I have got Michaels in the U.S. and Michaels in Canada. I am looking at the difference in print in Canada versus the U.S. I am, like, "These people are crazy. We can cut this print budget in half." So I did. Guess what happened? So I cut flyers in half, and just about cut my sales in half right along with it. So, yes, I decimated the Canadian Michaels business for about a quarter with my awesome cost-cutting measure.

What I found is that I do think it is evolutionary. I do think there will be a time when the digital flyer or the idea of getting special sales and coupons online becomes as easy as it is in print, but because we are in a hyper-competitive market, who goes first? Right? Not me. Not me. I am after market share. I am after sales. I am lowering the cost of living for people.

Save money; live better every day. I am not cutting that flyer out because you might not come because you might be a flyer person.

So I do think it is an evolution that people will understand how to find value, how to find the exciting things and the value elsewhere. But it is the competitive nature of this marketplace right now that will make that probably slower—and the fact that Canadians are really, really incredible in their idea of value and very different than the U.S.

A question that I get asked a lot is "What's the difference between a U.S. consumer and a Canadian consumer?" Just night and day. As you know, it is almost like a different country up here. It is just such a unique and special market, and the customers are so unique and special. What I find the best about Canadians and Canadian consumers is they do not derive status from where they shop. They derive status from how much they pay for it, and that is very, very different than the U.S. I did some studies in the U.S. where people would shop at a store called "Food Lion," which is a very, very kind of down and dirty food store—low prices, low hygiene. I also worked there at the time. So they would take their groceries in the Food Lion bag, and they would get on the bus, but before they got on the bus, they would take their groceries and put it inside a Harris Teeter bag which was viewed as a more upscale place to shop, so they were deriving their own personal values from where they shopped.

Now, in Canada, when we do our copious amounts of consumer research—and we love talking to consumers, whether you are talking at the highest demographic level, so the highest income level, or the lowest income level—consumers get equally excited about how much they paid for Tide, equally excited, and also are equally willing and welcome to go wherever that Tide is the cheapest. So you could find a PhD in economics saying, "I have got to swing by No Frills or Giant Tiger or the dollar dtore or Walmart right before I go pick up my cheese at Whole Foods." And they are going to feel comfortable and welcomed in both of those locations, and the most interesting part is that the lowest end demographic also feel comfortable doing that. So they will save up money to go to what they view as a very expensive store to buy a particular kind of cheese or food from home, that they like and will walk into that store and say, "I belong here. I belong here. I have money, and this is cool and I belong here." They do not derive their social status from their shopping which I think is just a very great part about our country actually.

Note of Appreciation by Jim Muzyka, Senior Vice President, Xerox Services, Xerox Canada

Thank you. I think on behalf of everybody we have had a great experience this afternoon. Most people know Xerox: I will draw the connection between Xerox and Walmart. You know us for the verb, Xerox. We are actually a large business services provider, and we assist retailers in finding new ways to get productivity in their organizations and have been happy to work with Walmart for the past several years, and some of that has been due to Shelley's sponsorship.

I wrote down some words that I think would associate everybody in the audience and their opinion with your presentation. It starts with humility, vitality, charisma. You are very funny, insightful, curious, intelligent, but the one resounding word was 'authenticity'. I think we would all agree.

We have a few common things. One, I was an aspiring journalist also, and every once in a while, we have a weak quarter, and it has been suggested that journalism might be a preferable career. The other thing is we actually occupy one of your original stores in Arkansas, and as we move from being a bridge from analog to digital, that is our largest digitization centre in the world, little known fact. But the other thing we share between your organization and Xerox is a commitment to diversity. First, for the social-conscious reasons and that is when we started with this but now more because it drives our competitiveness. You have a massive workforce, way larger than ours, but if you cannot capture the vitality inside that workforce and capitalize on it, you will be victims to a digital world. Someone said this at a meeting we were at on the weekend, that diversity is what you count but inclusion is how you make people feel, and I really got that from what you said today.

The other thing is the remarkable complexity of your job. Think about it. I mean the massive geographies that you oversee—Canada is relatively simple. You have massive geographies, different work cultures, different consumer cultures, and then you have the sweep of the digital world coming through all of this at the same time. It is remarkable to see the complexity that you manage. But I think I speak for everyone when I say it is also obvious why you are a senior leader at Walmart.

So, thank you, again, for the words of wisdom today. I wish you the best of luck with your challenge.

Concluding Remarks by Andrea Wood

So my job now is to end by thanking our very generous sponsors. Xerox Services was our event sponsor today. Thank you very much, Xerox, and Deloitte was the sponsor of today's VIP reception. Thank you.

I would also like to thank the *National Post* as our print media sponsor. This meeting will be broadcast on Rogers TV.

You can follow us on, yes, Twitter at @Empire_Club and visit us online at www.empireclub.org.

Thank you all for coming. We hope to see you again soon. You will find some of the exciting upcoming events advertised on the flyers on your tables. Please, do join us again. Thank you very much. This meeting is now adjourned.

The Empire Club Presents

AKAASH MAHARAJ, CLAIRE WOODSIDE & PIERRE GRATTON:

THE CRITICAL ROLE OF TRANSPARENCY IN THE FIGHT AGAINST CORRUPTION

November 27, 2014

HEAD TABLE:
Distinguished Guest Speaker:
Mr. Pierre Gratton, President & CEO, Mining Association of Canada
Mr. Akaash Maharaj, Executive Director, Global Organization of Parliamentarians Against Corruption
Ms. Claire Woodside, Director, Publish What You Pay Canada; Board Member, Transparency International Canada

Guests:
Ms. Bronwyn Best, Senior Advisor, Transparency International Canada
Dr. Gordon McIvor, Executive Director, National Executive Forum on Public Property; Director, Empire Club of Canada
Ms. M. J. Perry, Vice President and Owner, Mr. Discount; Director, Empire Club of Canada
Ms. Andrea Wood, Senior Vice President, Legal Services, TELUS; President, Empire Club of Canada

Welcome Address by Andrea Wood, President, Empire Club of Canada

Ladies and gentlemen, we can all name countries that enjoy vast mineral wealth but that somehow have not succeeded in using that mineral wealth to eradicate rampant poverty and to generate economic growth and prosperity. One of the reasons for this is that citizens, elected officials and even municipal and state governments often are not aware of how much revenue is being paid by companies extracting those minerals to their national governments. This fosters conditions where corruption and mismanagement are more likely to occur. Our speakers today will help us to understand the reasons for this and the role that Canada is playing in the fight for greater transparency and accountability in the mining industry.

Our speakers today have between them decades of experience observing and commenting on governance in the extractive sector. Claire Woodside, please, come on up. Claire is the Director of Publish What You Pay Canada and a board member of Transparency International Canada. Claire is the author of *Lifting the Veil: Exploring the Transparency of Canadian Companies*, and she has over ten years' experience working on and researching issues related to the extractive sector and responsible resource governance.

Next on stage is Mr. Pierre Gratton. Pierre is President and CEO of the Mining Association of Canada. He also serves as First Vice President of the Inter-American Mining Society and Vice President of the Raw Materials Committee of the Business and Industry Advisory Committee to the OECD.

Prior to his appointment as president and CEO of the Mining Association of Canada, Pierre served as President and CEO of the Mining Association of British Columbia. Pierre has been honoured as a Distinguished Lecturer for the Canadian Institute of Mining, Metallurgy and Petroleum.

Finally, Akaash Maharaj is the professional leader—welcome, Akaash—of the Global Organization of Parliamentarians Against Corruption, otherwise known as GOPAC. GOPAC is an international alliance of democratically elected parliamentarians working together to combat corruption, strengthen good government and uphold the rule of law. Akaash has had articles published by newspapers in every populated continent. That is an extraordinary claim—well done—and he appears regularly on TVO's *The Agenda*. He has been named one of Canada's fifty most well-known and respected personalities by *Maclean's Magazine*, another incredible qualification.

So, ladies and gentlemen, welcome our panel.

AM: Thank you very much, Andrea. Before we begin, I would like to acknowledge on behalf of my colleagues at GOPAC—as well as my fellow panelists—our gratitude for being invited to be here today. I think we are all conscious of the fact that, in many ways, the history of the Empire Club is the history of Canada, and that for almost as long as Canada has been a country, the Empire Club has been stewarding the national conversation, and by doing so, helping to shape Canada's national identity and our national presence on the international stage.

As Andrea said, GOPAC's name certainly lacks brevity, but what it lacks in brevity, it makes up for in clarity. Our parliamentary alliance has members in almost every country of the world. We have national chapters in 51 legislatures across the planet, and our members hail from different cultures, speak different languages, profess different faiths, pursue different political ideologies. Come election time, they try to cut one another's political throats, and some of them have had active combat experience against one another during a country's civil and international conflicts; however, the one thing that binds them all together is that they have agreed to come together under GOPAC's umbrella to combat corruption driven by the belief that, in the context of the end of the Cold War, corruption has become the single greatest threat to the viability of democracies everywhere, and that, while democracy has won the argument, it still remains to deliver the goods for too many people across the world.

And I promise you that I will not pelt you with a lot of statistics, but I will pelt you with three. The first is that, by our estimates, every year, political corruption kills about 140,000 children by depriving them of food, water and medical care. And that is far from being the worst of its consequences.

But in our estimation, there are three areas where political corruption runs rampant and has the worst effects. The first is in large-scale, public infrastructure, the second in defense procurement, and the third in resource extraction which is what brings us here today.

For all of us, especially, as Canadians, we know that mining oil and gas can be a huge blessing. It can be a massive engine of job creation, especially, in countries where having a job makes a difference between life and starvation. It can make the difference for countries between prosperity and failure, and it can be a primary funder of social justice and social development. Equally, however, it can be a curse when the wealth is bled away by bribery and political corruption, where the funds are used to prop up despotism and brutal tyrannies and where the extractive industry becomes a weapon of exploitation and oppression by both public and private actors.

I think it will be no surprise to us as Canadians that the choice between those two powers, between whether resources are a blessing or a curse, is fundamentally a political choice, a choice made by governments, legislatures, private and public actors. But I think it may surprise many of us to know the extent to which those choices are choices made by Canadians and in

Canada for the entire world.

The other statistic I will pelt you with is that 60% of the world's mining companies are incorporated in Canada, and, in recent years, 75% of new mining finances have originated from Canada. As a result, the choices that Canadian governments and Canadian actors make in the regulation and in the operation of the mining and oil and gas sectors are very much choices that shape the entire global marketplace. They are choices that affect not just ourselves but people in every country on every continent across the world.

Today, I am very pleased to be here with Pierre and Claire to discuss Canada's role in the fight for transparency and the fight against corruption in the extractive industries, particularly, in mining and, especially, to look at one landmark Canadian choice which we are in the process of making as a country, and that is the reporting payments legislation, which is now part of the Budget Implementation Act. The legislation will require oil, gas, and mining companies to disclose all their payments to governments at all levels. It will apply to all publicly traded and all larger private companies, and, as a result of the concentration of mining companies in Canada, it will, at a stroke, affect the majority of mining companies on the planet. This latest legislation is in many ways a landmark step that has been brought about internationally by a coalition of legislators, international institutions, mining companies, resource extraction companies and civil society organizations. And, in Canada, it has been, in particular, precipitated by the work of the Prospectors & Developers Association, Revenue Watch, the Mining Association of Canada and Publish What You Pay Canada. ,And so with that, our conversation will be on what this legislation is, what it means for Canada, what it means for the world, and, in a very real way, what kind of a world Canadians are in the process of creating through the choices that we have before us today. The first question I will ask is a fairly straightforward one, and that is to ask both Pierre and Claire what you believe to be the impact of this bill and how its pursuit of increased transparency will increase accountability of both public and private actors.

CW: You know, I think from the perspective of Publish What You Pay, which is a global coalition of over 800 civil society organizations in over 50 countries, this legislation is critical to the fight against corruption but also to improve accountability which is an essential part in the fight against corruption. And I think what we hear from our stakeholders in resource-rich and, particularly, developing countries is that they do not have the information they need to have informed conversations with their governments. Without that information, which needs to be available in a rigorous and timely way, they cannot ask tough questions about where the money that their governments earn from resource revenues goes, and there have been too many instances where vast sums are paid to regional governments or federal governments in developing countries, and citizens on the ground do not see the benefits. I think that is the kind of situation that they are trying to change at the heart of this.

Canadian companies have a huge global presence with 8,000 properties in over 100 countries. We regularly have questions from coalition members about Canadian companies in their country because our coalition members are affected by Canadian companies, and they are interested in what they are saying in Canada. They are interested in who they are, what they are doing, and they are interested in what they are paying their governments. And I think that Canada's role in this is critical, not only because of our international presence, but because we really have put ourselves out there as a global leader on extractives. And setting an example that a really strong transparency standard is part of global leadership is something that we have seen the Canadian mining sector come out on, and now it is something we see the Canadian government come out on. And I think it is critical to showing other countries in jurisdictions that have yet to implement this legislation that this is part of being a leader in the extractive sector.

PG: I do not have anything to say now. I think the interest in the industry is—there are multiple reasons for doing this, and I think we should not overstate what this legislation will accomplish. It is an important step. It is not a silver bullet. It is not going to eradicate corruption, but it is a step towards helping eradicate corruption. And the extent to which we can do that, all of industry is served because it is in all of our interests to operate in places where the rules are clear and the rules are obeyed by everyone and that there is a level playing field.

It is also an opportunity I think for the industry to show what it does do. There are often questions. People question whether the industry, our industry, contributes and in what way does it contribute to social and economic development. They question in what way we could better contribute if those monies were used in better ways and, by shining a light on those payments made, we have the opportunity to do that.

You mentioned the resource curse earlier. The resource curse is avoidable if the benefits and the monies that flow from that development are used strategically and with the view to long-term community development. That does not happen if the monies flow to national governments where they then sort of disappear. So the extent to which this helps create a system where the revenue flows and the benefits are able to contribute to social and economic community development where the mines are, that is in our long-term interest as well. It helps make the case for mining.

AM: Perhaps one of the unusual aspects for Canada—not unique, though—is the relationship between resource extraction and relations with First Nations government. I noted that in the legislation that is before Parliament now that, although it requires reporting of payments to all other levels of government, it does not include reporting of payments to Aboriginal council governments. Is that something you would like to see in the long term?

PG: Yes, in the long term. We deliberately, as a group, left that piece out of our work and there were no recommendations in our report on that particular aspect, mostly, because we felt very strongly that, to do that, we would need to take the appropriate amount of time to consult with Aboriginal Canadians and their different organizations. And, given the timeframe, we figured we will deal with this first part and then we could look at that other piece afterwards.

So we have been similarly concerned that the federal government immediately included that in their proposal because we were not convinced they were undertaking the right amount of consultation. And, certainly, we have heard from many ourselves; we have been approached by many Aboriginal groups expressing concern: What is this? Where is this coming from? What is it going to require? What is going to be included? These Impact and Benefit Agreements, their commercial arrangements—why is this? Why should this be made public? All of those very legitimate questions and also, the questions *What happens if this is disclosed? Will governments then use that information to claw back in other areas?* Very legitimate questions that they have.

So we, actually, encouraged the government to do what is done, which is to take more time to consult, and so there is sort of a two-year phase-in. I have a feeling we will still be talking about this, though, in two years and about whether it is the right thing to do at this time.

CW: Yes, we, Publish What You Pay Canada, do not have member organizations that we draw from the First Nations community, so we did not feel like we represented that voice. And I think when we established the Resource Revenue Transparency Working Group, which looked more specifically at this issue with the Mining Association of Canada and the Prospectors and Developers Association of Canada, we realized that, to look at that, we needed to have stakeholders at the table from Canada's First Nation and Inuit communities, and we did not have those, so

I think that really made our decision.

That said, you know, I am part of a transparency organization: I do not think I could sit here and say that transparency is going to convey a really negative impact from more disclosure. We do see huge benefits in other countries for, for example, municipal-level disclosure. And, even in Canada, we know we are not immune to municipal-level corruption, so it will be interesting to see what this legislation sheds light on at different levels of government, particularly, for example, the municipal level where there is almost no data in Canada on what resource extraction companies pay at that level of government. So we did make the deliberate decision not to look at that issue. The government has included it in the bill with a two-year delay, and we supported the delay for further consultation because we know that is critically important, and we share concerns about how it is implemented.

PG: I would just add that I think, by and large, my board feels much the same way. In the end, this is a good place to get to. It is how we get there that also matters. The process is often as important or sometimes more important than the end, and I think there is certainly a lot of conversation has been going on for a long time in our sector around impact benefit agreements—there are different names for them. But how—because they are secrets—do you know when you are a new project what you are negotiating with? And it would be nice if there was a more level playing field if you know what kinds of things you should be negotiating. And more disclosure and transparency around those agreements might be helpful to all of us. So I think in the end, it is to your point: More transparency is a good thing. It is more a question of how we get there.

AM: I would imagine that part of the complexity that you have spoken about is precisely because this is regulation. It is not a voluntary code. It will be the law of the land in Canada, and enforcement will be compulsory. Not all businesses are in love with government regulation and legislation. That being the case, why did the Mining Association decide to support the path of compulsory legislation and regulation rather than voluntary codes?

PG: This can only work if it applies to everyone; otherwise, the whole system caves in. It does not work. It cannot just be voluntary. So, I mean, it is kind of a bit of a stereotype that industry will always oppose regulation. I do not think that is true. Industry will support regulation when it is going to achieve an appropriate objective.

Similarly, just a few years ago, we were asking Environment Canada to take steps to include the diamond sector under the Metal Mining Effluent Regulations because they were not included. And, again, one of the reasons that there is a level playing field is so everybody at least knows what the entry rules of the game are. So regulation has its purpose, has its role, and, when industry gets concerned, of course—or anybody else for that matter—it is because it is administratively heavy. It is too burdensome and the administrative weight of something actually gets in the way of the objectives it is trying to achieve, but regulation in and of itself, I do not think is a bad thing, and it has its place. Do you want to agree with me there or no?

CW: These are more your reasons than ours. I have listened to it a lot. I have listened to the reasons.

AM: In your experience of listening to the reasons, do you feel that the industry has been enthusiastic about this process, or have they been reluctant participants?

CW: No, actually, if we go back to the beginning of when we first started the engagement with the mining sector, there was already a lot of voluntary disclosure, so voluntary disclosure was not really on the table as something we would work together on because there is the Global Reporting Initiative; there is the Extractive Industries Transparency Initiative. Companies just voluntarily will disclose a certain level of taxes paid, or, I think, when we first started the discussions, we were really interested in whether there room to talk about a mandatory regime. What we heard, at least, was that, you know, there was already a lot of progressive Canadian companies voluntarily disclosing, so a mandatory regime might do what Pierre said, which is level the playing field, create a standard and align with other jurisdictions.

So at the heart of our initial memorandum of understanding, which we all signed in 2012, was an agreement that we would focus on a mandatory standard. How that was implemented was part of the process, so we did not necessarily come out saying it would be federal legislation, but the mandatory—

PG: It is still not.

CW: —nature of what we were going to ask for together was there in the initial agreement.

AM: There have been some industry hold-outs: The Canadian Association of Petroleum Producers declined to join the coalition that drew up the recommendations that led to this legislation. Why do you think that was the case?

PG: You are going to handle that one.

CW: I do not know. I am not a voyeur. I think our assumption is that there are maybe two reasons. One is they were fighting regulations, mandatory legislation, elsewhere, so they were involved in a fight in the United States through the Exchange Commission. I think that led to a kind of a withdrawal of interest on the issue. I think that is definitely one issue that played a role, but the second is—I do not know. Part of me wonders if the oil and gas sector as an association engages with civil society in the same way. We find them very hard to approach and dialogue with. So I do not know if they have the same level of engagement, and I think there could actually be sectoral differences that influence the willingness to engage at a deeper level with a civil society organization, and that is something that we have seen throughout this process. So that is the other thing that I have kind of observed.

PG: A couple of points on this: I can say CAPP is kind of like where we were a few years ago where their mandate is domestic. They do not really feel that they have a role to play on issues that have an international dimension, and we were the same way. The whole debate over C-300, John McKay's bill, a few years back, sort of led our members to say, "If it's not MAC, we've got to create a MAC that would handle these types of issues." And, so, now, we do have that and a very active committee that has been leading the charge on these types of issues, and we are not engaging in this space. That did not used to be the case, but it still is with CAPP, so, I think part of it was there was not a home for this issue at their association.

But to touch on your point—and I am going to boast here a little, or it is going to come across that way—we started in the early 1990s with the Whitehorse

Mining Initiative, which is unparalleled to this day in Canada. It was a two-year, multi-stakeholder process that involved civil society, Aboriginal Canadians, organized labour governments and ourselves, and it led, after a two-year process, to an agreement on a broad set of themes, and that was the beginning of, I think, a process where we learned as an industry to look outside the mine gate and look at opportunities for working with other Canadians in a way that we had not historically done. And now, I would say about 20-some years later, we are pretty good at that and pretty relaxed about it, and we now are at a point where, you know, at our board table, if there are issues that we are dealing with, the questions will not be just *What do other industries think? and Can we work with them?* It will be *What do other groups think? Have we talked to any of the NGOs about this? Is there an opportunity for finding common ground?* Now, it is how we are wired to think, and we see ways of moving our own agenda forward by trying to build alliances with what used to be called sort of non-conventional partners, whereas now it is becoming a little more conventional.

AM: So based on that experience, for both of your organizations of bringing together NGOs and corporations who have not always worked together—historically, I think you are right. They have often talked *at* one another rather than *with* one another.

From this corporation, what do you think worked well? What do you think worked poorly? And how would you advise other industries, especially, other extractive industries that are looking at joining hands across civil society and industry?

PG: I think what made this a little bit easier than some is that there was an agreement very early on concerning the objective, and then the discussions were on the details and the arguments. They said there were arguments around the details—how are we going to define which payments are covered and all the rest of the stuff that went into the recommendations? That just had to be worked through, but there was already an agreement on where we wanted to get to, and that I think makes collaboration much easier from the start; otherwise, it can be a process that can really spin in circles, and people get frustrated and lose interest. So I think that was certainly one of the advantages we had in this particular case.

CW: I think that, yes, the initial document which was a signed, fairly official document, did not really help to identify the scope of the collaboration very, very clearly, and it provided initial language for what was to be included in the scope, and also a sense of what was not to be included in the scope to some degree, right? It was a collaboration with kind of narrow feel, you could say.

But I would say there are kind of two other things that helped to make this successful but also helped us resolve the problems when they emerged. One is time. We spent a lot of time together which also could be said to be trust because I think trust and time are inherently interlinked. When you spend a lot of time with someone else, you build a sense of personal trust with them.

PG: One hopes.

CW: Yes, or maybe distrust, but, in this case, trust, so we built sort of more personal relationships and trust in that you ended up with a kind of mutual understanding where we could explain the other's position to our own members sometimes without asking them very clearly, so you understood how to articulate how the other side was feeling about something or approaching something or their technical issues with a particular challenge you were facing whether it was, like, the definition of 'control' or understanding the concerns from civil society or the technical issues the industries face and then being able to kind of articulate those more broadly to each of our groups. I think that played a big role in those supporting one another but also just creating that base understanding of what we were talking about.

PG: I think her first point, too, so the rules of engagement, the terms of reference, I guess, the first document.

CW: The memorandum of understanding.

PG: Once it was negotiated and concluded, I do not know if we ever went back to it because by the time we reached that point, we had already, more or less, learned how to work together, so it was always there as a reference, but it was not something, like, "Well, wait a second. Hang on, guys. Look at this line: 5.2. You are in violation of that." So that initial work on sort framing how you are going to work together is an important first step, and then, after that, if you do that well at the beginning, then after that it can be a lot easier.

CW: But it was not used very much as a reference. It did in the very initial conversation. I remember holding industry consultations in Vancouver, and there were some industry folks who thought, "Why isn't this just voluntary?" And then it was very easy to say, "Oh, this is about a memorandum of understanding that we signed. We are looking at what is mandatory here, so we have to kind of start from that point." And that helped to define the conversation that everyone was having, so it was not necessarily employed as a tool, but it was sort of like a base standard that said, "No, the conversation is starting here."

AM: I guess part of the question I would have is, while this legislation is making its way through Canada's Parliament, there have been similar kinds of legislation in other G-7 countries—the Dodd-Frank Act in the

United States, the EU Directives on Accounting and Transparency. How do you think Canada compares, not just in terms of this legislation but Canada's political enthusiasm for transparency and disclosure in the extractive industries? Are we leading? Are we with the pack? Are we behind?

PG: It was interesting. Part of the history of our work was during the lead-up to the G-8 meeting where the Prime Minister made his announcement that he, that Canada would be developing some mechanism for mandatory reporting. At that point, we did not know if it was going to be federal legislation or not, but in the lead-up to that, we were dealing with sort of panic calls from officials preparing for the G-8, as we knew that transparency was one of the top three items on the agenda and Canada had nothing to say. But they had heard about our work, so they wanted to validate if this was real. They had trouble believing something on our side, that it was real, that we were, in fact, serious about moving forward with such a mandatory scheme. So they held a bunch of their own consultations across the country with the mining and oil and gas sectors going sort of beyond our own memberships, PDACs and MACs, to confirm if what we were saying is true. I forget which city it was but Enercan heard loud and clear from people that neither the PDAC nor ourselves knew but who were in the mining world. Canada is late. We should be leading this because of our size, as you touched on earlier, and you are nowhere to be seen. This is not about leading. This is about catching up, and you are overdue. So Enercan was sort of taken aback by that, but that, of course, provided the impetus for the prime minister to, ultimately, make the commitment.

Now, I think fast forward today in the States: There have been a few stumbles, setbacks. I think we are now back in the leadership position. I think, certainly, our industry, the Canadian industry, has distinguished itself on the global stage. For the work that we have done, I do not think I will ever see again a page on Oxfam U.S. praising the Canadian mining industry—that was a wonderful moment.

AM: I hope you framed it.

PG: So I do think we have gone from behind to up front, and I think it is a good place to be.

CW: Yes, you know, I think Canada is going to be out there with the leaders on this issue, particularly, if you consider the implementation timeline. We will be depending on when the act actually comes into force, assuming it is by the deadline of June 1st, 2015. We will be one of the countries having reports available for the public, so, in that regard, I think, you know, Canada is definitely going to be leading.

We have, of course, some concerns about the legislation, which itself has a few issues missing in terms of the global standard, particularly, regarding just the clarification that the payments will be available at a certain level of disaggregation which citizens need in order to actually ask those tough questions. If it is too high-level, they cannot ask the questions they need, specifically, at the municipal or provincial regional government levels. But this is something that can be addressed through the administrative process that is being developed within Enercan.

I think the government has indicated a clear intention to address it and the public intention to align with the global standard and to continue with the leadership. One of our concerns is that the process by which it will be addressed will not, indeed, be multi-stakeholders. One of the reasons we have been successful is that it has kind of been a civil society–industry collaboration that pushed this forward, and so we do have concerns that the next step will exclude civil society. I think that, globally, we know that having the people that actually use the data at the table talking about what is important for them is an important part of the discussion.

PG: Before you close, just for the public record, I would also say that we, too, have some concerns with federal legislation. We are still all on the same page on this, so we would agree with those comments as well. One of our biggest objectives in all of this was this notion of ‘equivalency’. If you are listed on the New York Stock Exchange, and you are a Canadian company as well—or if you are in the U.K.—it is one report. It is in our interest. We do not want to have to produce multiple reports because the requirements vary slightly. We want a system that allows you to recognize that one report fits all. It is also in the interest of civil society to not have to compare different data, so you want consistent data, and the federal legislation, currently, does not provide the kind of assurance we were looking for, that equivalency will be as fundamental as we think it should be.

And I would add that it was always our preference that it be done, that this be actually done through securities as it is in other jurisdictions. And, if I have one big disappointment, it is with our provincial governments who have not acted yet. Ontario, in particular, is such a dominant player in the mining world. They have said sort of all of the nice things in private meetings, but they have never actually come out and said, “We will build this through regulation.” And this is why equivalency is important. At some point, Ontario, B.C. and Québec, primarily, for our sector, will actually move forward with this, and then we actually will not really need the federal legislation at least insofar as it relates to mining because we are mostly publicly traded companies. So I think the provinces are not, for the most part, used to looking beyond their borders all that much, so, perhaps, they are just not grasping the significance of this issue, but they should.

AM: You have each concluded with a comment about what you would like to see done differently in the future and what you would like to see done differently now. I will add my own, especially, for someone who works with parliamentarians. It is, at a minimum, an unsubtle irony—perhaps, a comical irony—that a bill on transparency is being passed by being buried in a colossal omnibus, but that is a discussion for another day.

PG: Very true.

AM: We will open it up out there. Any questions for our panel here?

Q: The question relates to gender and if we were in a hierarchy because, obviously, we know corruption tends to occur where there are pockets of power, either to access that power or manipulate it somehow. If more women were in positions of power, is there any empirical evidence gathered to date to suggest that there would be any less corruption and any more transparency if we were in a world of business and government entirely run by women?

AM: May I take that one?

CW: Yes, please.

AM: That is a very interesting question because it is one that GOPAC has researched quite a bit and has written about because we do think, in addition to the aspect of corruption, it delegitimizes governments and parliaments when they are not representative of the populations they seek to represent. It makes them less legitimate in the eyes of the population. It certainly makes them less effective and less capable of having a truly national discourse, leading to advance the national good.

But the question about whether gender makes a difference in corruption is a fascinating one. Our findings have been that, on the whole, female parliamentarians in systems where there is a low risk of getting caught, female parliamentarians are just as likely as male parliamentarians to cheat, steal and take bribes; however, in systems where there is a moderate to high probability of getting caught, female parliamentarians are much less likely to steal, cheat or take bribes. Now, you can read that many ways. There are some people who think, perhaps, it is because that means that female parliamentarians tend to be risk-adverse. Perhaps, it means that in systems that are less corrupt, they tend to elect more women based on merit rather than based on corruption itself, that is, a highly corrupt system just reproduces more corrupt people. So I can only tell you that correlation strongly exists. I cannot give you a definitive causal answer to it. There is only one parliament today that has an outright majority of female parliamentarians, and that is Rwanda, and Rwanda is a fairly extraordinary place, so I would be reluctant to take any general conclusions based on what has happened in a country that has recently gone through a genocide.

Q: **I am Professor Trevor Preston. I am a professor of international development at Centennial College, and I just have one question that maybe each of the speakers or maybe one speaker could address: Could you tell me more about the philosophy of disclosure in transparency? Is it simply an effort to put information out there, and people will take ownership of that information, publicize information, or does it serve as a bit of a deterrent—getting that information out there either will stop the payments or people will stop asking for it? Could you tell me what the philosophy of transparency or disclosure is?**

AM: Thank you.

CW: I think, you know, at the heart of this is the belief that the data will be actively used, and we have seen this information be used. I was at a series of workshops with civil society organizations in Trinidad and Tobago who were using their first EITI report, which is the Extractive Industries Transparency Initiative, and they had their first report, and, like a lot of EITI processes, it was four-year-old data. So the government that was there had changed, but they were trying to understand it. And it was at slightly too high a level, so it did not have all the kind of information they maybe needed, but they were actively engaging with the report and trying to see how they could use that information to understand why certain communities were not experiencing the benefits that they needed or wanted to see from the resource wealth. I think that we expect this active engagement book partly because our members are on the ground asking for it, so, in that way, I think, as a coalition we are kind of lucky because we have all these civil society organizations. Globally, they are saying, "We need this in this form so that we can ask the questions."

Now, data does not automatically become transparency or even accountability, right? People have to actually access the data, and then it has to be translated often into something digestible because, in poor countries, even in Canada, a lot of people are not data-literate. Can somebody access an XBRL file and figure out what all that means in terms of real time? But there are a lot of groups out there, and there are a lot of researchers and a lot of academics who I think will engage with this information, make it more accessible, maybe turn it into images. We have done these kinds of things in our coalition with certain countries—even broadcast it on the radio. They have done that in some of the countries where we have coalitions. There are lots of different ways to convey information. Put it on a billboard. But there will have to be people using the information for it to have an impact. However, we know that there will be.

AM: Your example of Trinidad is an interesting one. I spoke with some of our colleagues, my colleagues in Trinidad, in Trinidad's senate, who said that before they used to get robbed blind. Thanks to transparency, they are getting robbed in broad daylight, and they are not sure if that is improvement or not.

CW: I do not know either.

AM: But, certainly, if you have the information you may not be able to enforce accountability, but if you do not have the information, you have no chance of enforcing accountability.

CW: That is true.

Q: Perhaps, as a follow-up to that, could you talk about investors and the role that they played in all this? And could you also offer just a word about the workshops that you carried out and how many people were involved and the purpose of those workshops—so, it is not just MAC or PDAC or Publish What You Pay Canada, but a lot more Canadians were involved in this whole process?

CW: So this is an issue that has had quite a lot of investor support. Canadian investors have come together to write letters in favour of mandatory transparency as have international investors, who have supported the introduction of mandatory reporting standards in Canada. There have been investors with $5.8 trillion in assets who wrote Natural Resources Canada and called for them to introduce a strong mandatory reporting rule. But I think this information does have utility for investors, and this is where our recommendations did use a securities venue partly because of the investor interest in the data. Now, that does not mean that through federal regulations or federal legislation that investors will not access and use that data. I am sure they will in the same way they would through securities regulation, but part of the push for securities has come because of the investor interest in the data. I do not know if you want to talk further about the workshops.

PG: It was mostly done by Ben. I should give a shout out to my colleague, Ben Chalmers, who is presently on another continent talking about another transparency initiative of ours called "Towards Sustainable Mining." He did all of the heavy lifting and hosted all of these workshops with you. We held some key ones in different major cities in Canada and tried to bring in civil society and industry. We tried to build as much awareness of what we were trying to do as we could.

CW: Yes, we had quite a number of workshops on different topics. Often they looked at substantive issues that we were coming up against, so getting broader perspective on some of the trickier issues we were facing. And, it was always more about awareness raising. But a lot of different companies attended, then we also held civil society focussed workshops where we reached out to the civil society community.

Q: Hi. Alanna with Barrick Gold Corporation. I want to thank you guys for your comments. It is just a quick one. It is mostly for Claire: One of the things I am most proud of the work that the industry did on this is that we were constructive and proactive in that we sort of got out and worked on problem solving ahead of time. So once we publish what we pay, what is next for you guys? What is next for all of us?

AM: That is an excellent final question.

CW: Yes. Well, we have got lots of ideas. I do not think my coalition has come together to finalize what that will be, but there is a lot of interesting work going on globally. We have a lot of members that are really interested in more contract transparency, and there are a lot of important issues now put into contracts. We have a lot of coalition members interested in that, and we just finished a securities search where we pulled up, and, basically, 400 oil and gas contracts that were publically available previously but kind of unknown and about 35 of those are from SEDAR. So that is an issue that I think is definitely really big within our coalition. Our members are interested in that and in contract monitoring.

And then there are lots of other kinds of transparency issues around or related to tax and illegal tax evasion and things like the public disclosure of beneficial ownership: So who really owns a company? There has been a lot of these issues emerging, and I think as a coalition, we are going to have to look at what is going to be our priority issue in the coming years.

AM: Assuming the bill is passed in the upcoming session, there will be upcoming deliberations. The two of you will have to start working on a new memorandum of understanding. Thank you very much.

CW: I do not think our work is done yet.

PG: No, we are not done yet.

Q: My name is Ms. Helle Bank Jørgensen. I am head of the Global Compact Network Canada. Thank you very much for all your great insights here. I was wondering in terms of the assurance of this and in terms of the hotline, where if there is something out in the country where you say, "Oh, there's something that has not been published. What has been paid?" Any thoughts on that—the whole assurance process of this?

CW: We have not really thought about a hotline. It would probably have to be something via text because, often, calling is too expensive in developing countries. But there are all kinds of very cool, online things you can do with texting now. We have definitely been brainstorming how to get information out there; for example, there are text services and different kinds of web platforms that allow you to access rural communities that are only really available kind of through text. So I do not know if there will be a hotline per se, but I think there will be some really neat, innovative tools using sort of locally available community resources, like, text services where that is available to communicate information and even to ask questions back and forth.

Q: So Helle did a great job teeing it up for me. I am from PwC Canada, so, on the topic of assurance, I think that notion here which is really important which you talked about is this information needs to be relevant. It needs to be accurate and, of course, it has to be reliable—and, of course, through PwC, we are in the business of providing trust. What are Transparency International and Publish What You Pay and MAC doing to ensure that the information that is provided is information people can trust? And, from a legislative perspective, what is happening there?

CW: I mean the legislation has a strong safeguard, so there is an attestation clause in the legislation whereby directors or officers of the company have to essentially attest to the information, and there is also director liability in the legislation. So those two things together create a fairly strong bar for assurance.

PG: This is actually an area where we also have a bit of an issue because the way it is drafted. It reads as though one's due diligence would have to attest for every last cent. The work of PwC does not assure to that level, so there is actually a bit of an issue here that needs to be worked through. Had this been through securities legislation—this notion of materiality is already built in—it would be fine. This is federal legislation using the criminal law power, and they have not embedded in this notion of materiality. So it is actually a bit of a problem that we are hoping can maybe be resolved through the guidance that is going to be developed on a go-forward basis.

So Claire's point is right. I mean there are strong levels of assurance here, but practically speaking, there are still some questions because you are not going to account for every last cent. Nobody in your firm or in your world would provide that level of assurance. What is important is that we are able to demonstrate that there are the kinds of assurance that would be expected for something of this nature.

AM: From a legislative perspective and in my experience, people often confuse ‘parliamentary sovereignty’ and ‘parliamentary supremacy’ with ‘parliamentary omnipotence’. One of the countries that has very, very strong anti-corruption laws is Ukraine. It also has a catastrophic level of political corruption across its entire political class because that legislation is simply not enforced, and enforcement agencies have neither the power nor the resources to attend to them. A key measure of this legislation as all anti-corruption legislation will be once it has passed is the government willing and able to devote the resources necessary to it so that it can be enforced.

PG: Though I think it is important to point out here that in this particular instance besides the burden of collecting that information and then submitting it, once you have set up your systems, it is not hard thereafter to provide that information. There is not really a strong disincentive for industry to not do it. So I mean there may be the possibility of an error that can be corrected. Industry in which particular legislation is not the culprit. The culprit is government, and what is happening to the monies that are submitted, and industry is trying to play a role in helping shine a light on what those monies are that are received by governments. So we are the enabler to being able to do that. I mean there is the Corruption of Foreign Public Officials Act, which is sort of a parallel piece of legislation where you are actually talking about bribes, bribery, but, in this case, these are legitimate payments that companies make, and we want to disclose that so I do not think there will be that much of an issue with companies about not disclosing. They want disclosure, at least in the mining sector. We want disclosure. We have got 1,200 plus companies in Canada. It would not surprise me that there are some out there that do not know yet that they will very soon have this requirement, so it will be a bit of a wakeup call for them. But, certainly, in our respective memberships, PDAC and MAC, there is a high level of awareness, and they know that this is coming.

Note of Appreciation by Yolanda Banks, Senior Advisor, Corporate Responsibility, Export Development Canada

Good afternoon, everyone. My name is Yolanda Banks. I am Senior Advisor of Corporate Social Responsibility at Export Development Canada. I have been given the very honorable role of thanking everyone today, so I have to also compliment the Empire Club for bringing this topic as part of its roster of lunches. This is not something that they typically offer or talk about, but it is a conversation that has been preoccupying business for several years now. I also have to complement the Empire Club as well as the Global Organization of Parliamentarians Against Corruption for the format. I think typical Empire Club luncheons are you have a speaker, a little Q&A, and it is done, but, to have a panel that actually has a dialogue, a free-flowing dialogue about a topic, is a very refreshing way to treat this. As well, we see together two groups, representatives from two groups that one could almost consider adversaries, the civil society and the mining industry or private sector, so, again, very innovative and cutting edge to put this together in this way. Corruption and transparency in business is a topic that very much concerns Export Development Canada because it can impede free and fair trade. When you have one entity or business that is willing to engage in corruption or bribery to gain an advantage they would not otherwise have, that does not lead to free trade or fair trade. It does not lead to the best product for the best price, and what it does is channels benefits into the pockets of the few, rather than to the many.

I think what we heard from the speakers today is that transparency through, perhaps, legislation is part of the solution to this. It will achieve, we hope, a more level playing field, and we know, based on what we heard, legislation is coming, so those who will be affected will begin preparing, and Canada has very much responded to voices that they have heard; they have heard from the Government of Canada, industry and from civil society in bringing this information and this legislation forward.

I think another final point that both speakers pointed to is that the success of this initiative has been through building trust between two groups that are typically considered adversaries, civil society and the private sector but with the cooperation of government as well.

So, once again, congratulations to the organizers, to the speakers and, thank you, to those of you who came out this afternoon. I know everyone has a very busy day, but it is an important topic, and we thank you for your time.

Concluding Remarks by Andrea Wood

I would like to thank our generous event sponsor, Export Development Canada. Thank you very much for enabling today's luncheon.

I would also like to thank the *National Post* as our print media sponsor. This meeting has been broadcast on Rogers TV.

You, in the audience, can follow us on Twitter at @Empire_Club and visit us online at www.empireclub.org.

Thank you all for coming. We hope to see you again soon at some of the exciting events that are coming up and that are described on the brochures at your table. Please, have a look before you go. This meeting is now adjourned.

Thank you for joining us.

The Empire Club Presents

JANET ECKER
PRESIDENT AND CEO, TORONTO FINANCIAL SERVICES ALLIANCE:

P3s ARE WORKING: THE ROLE OF THE FINANCIAL SECTOR IN SUCCESSFUL INFRASTRUCTURE PROJECTS AND WHY YOU SHOULD CARE

December 14, 2014

HEAD TABLE:
Distinguished Guest Speaker:
Ms. Janet Ecker, President & CEO, Toronto Financial Services Alliance

Guests:
Mr. Daniel Herscovitch, MBA Candidate 2015, Rotman School of Management, University of Toronto
Mr. Bruce McCuaig, President & CEO, Metrolinx
Mr. Mike Miller, Chief Customer Operations Officer, 407 ETR Concession Company Limited
Mr. Steve Nackan, President, Aecon Concessions
Ms. M. J. Perry, Vice President and Owner, Mr. Discount; Director, Empire Club of Canada
Mr. Dale Richmond, Chair, The Canadian Council for Public-Private Partnerships
Mr. Mark Romoff, President & CEO, The Canadian Council for Public-Private Partnerships
Ms. Andrea Wood, Senior Vice President, Legal Services, TELUS; President, Empire Club of Canada

Welcome Address by Andrea Wood, President, Empire Club of Canada

Ladies and gentlemen, we are here today to discuss two topics that are more relevant today than ever before for most Torontonians. Topic number one: Infrastructure. And topic number two: The financial services industry.

Infrastructure is an important topic for us to consider because, especially, thanks to the newly renewed commitments of our federal and provincial governments to modernize our province's infrastructure, we are about to see the launch of a number of key new infrastructure projects that will shape our city for generations to come. And the role that private financing will play in building that infrastructure is of great interest to Torontonians.

We could not have a better guide to both topics than Janet Ecker. As you all know, Janet is the president and CEO of the Toronto Financial Services Alliance (TFSA), a public-private partnership dedicated to building Toronto as an international financial services centre. She also spearheaded the creation of the Global Risk Institute in financial services as well as the Centre of Excellence in financial services education.

Janet is a leader, an innovator and a team builder. Through the TFSA, Janet was a champion of the highly innovative agreement recently reached between Canada and China, to establish Canada as the first trading hub in the Americas for the Yuan, a deal that should promote trade and generate economic benefits for all Canadians. Thank you for that.

Janet is a former Ontario finance minister and was a cabinet minister under two premiers, Mike Harris and Ernie Eves. Remarkably, she was the first woman to deliver a budget in the province. She currently sits on a number of boards and agencies and is a member of the Ontario Finance Ministers Economic Advisory Panel, the Premier's Advisory Council on Government Assets, and the CD Howe Institute's National Council.

She is the recipient of numerous honors and awards, including, earlier this year, the Excellence in Leadership Award from the Transformation Institute for Leadership and Innovation.

Ladies and gentlemen, please, join me in welcoming our speaker today, Ms. Janet Ecker.

Janet Ecker

Thank you very, very much Andrea, I really appreciate that very warm introduction. And for those that do not know what the Yuan is, it is the Chinese currency otherwise known as the Renminbi, so it was a deal with China which was really, really, cool, and we really were pleased with our financial partners and the governments, federal government, provincial government. And we also worked with BC, with Vancouver, and this is kind of interesting for Canada because, you know, we always have these inter-regional squabbles, and BC and Ontario said, "You know what? Yes, we both want a lot of this business." Vancouver, of course, a little trade finance happens there, etc. We have the industry headquartered here, but we decided we would work together because we thought maybe that would help Ottawa move forward. Maybe the Chinese would not want to get caught in an inter-regional squabble, and we even had Montréal put out a public statement saying they thought what BC and Ontario were doing was really cool, and they wanted to support it. So peace was breaking out all over, and it really helped, and we got the deal, and it was all kind of cool. So, anyway, thank you for mentioning that.

It gives me great pleasure to be here. So many familiar faces from many things that I have been involved in over the years—some former political colleagues of mine. Welcome. There is, indeed, life after politics. I used to meet politicians who had transitioned back out into the "real world," and they always looked ten years younger, twenty pounds lighter, and they were all richer. I am still waiting, but I am optimistic.

But, anyway, I would also like to very much thank the sponsors for this event as well. As a frequent user of the product of the 407, I am quite excited about watching that piece of important infrastructure for our province sort of spread across Durham region, which of course I had the privilege of representing one the ridings out there, so it is kind of exciting to see that happen.

It is always a great pleasure to be here at the Empire Club, part of Toronto's civil society public engagement infrastructure, if I can put it that way given the topic of my comments today. And you know, it is an interesting fact about Canada's participation in last year's Olympic Games in Sochi—and I do not know if you know—that during the Games, Canadians took to social media to congratulate and support their athletes more frequently than almost all other countries. This does not exactly fit the old Canadian stereotype that we do not readily celebrate our strengths or our successes, and, as I often like to joke, Canadians do not think we are good at something until somebody outside the country says we are. But the Sochi success tapped into some sense of our Canadian identity, which we were all prepared to openly and unabashedly celebrate.

What is also unique about Sochi is how we did it. Our success can be attributed to Canada's relatively new "own the podium" strategy, where public and private investors collaborated to fund our best athletes in our strongest sports to ensure we had medal contenders. Once a country of mediocre podium results, this public-private collaboration propelled our athletes near the top of the medal count, and the successful outcome gave Canadians something to shout about from the rooftops, or, more accurately, these days, to share through our social media channels.

Well, we have another success story we can shout about in this country, and it, too, has benefitted from a similar coming-together of the public and private sectors, our financial services industry, headquartered right here in the Toronto region. The partnership that exists between our financial industry, our policy makers in government, our regulators has helped to build the kind of strong, stable, successful system that we have today, and it was certainly one of the things that kept us out of trouble during the global financial crisis.

Now, through the Toronto Financial Services Alliance, or TFSA for short—just think Tax-Free Savings accounts; we had the initials first—we are leveraging the strengths of both the public and private sectors in the financial sector, in academia, and in government to build, as I like to say, a bigger, better, international financial services centre. We do not take it for granted, but I like to talk about the financial sector's success because, one, it is my job; two, there is a lot to talk about and that success benefits all of us; and, three, it just kind of feels good to talk about a success story here in Toronto, Ontario, Canada. I know it is something that Canadians normally often do not do, but, once in a while, we need to climb up on that roof and give a shout about something that is working, and Canada's financial sector certainly is. Rated safest and soundest in the world, Toronto's now the second largest financial sector in North America. Rated sixth in the world as a financial centre by *The Banker* magazine, Toronto has an industry growth rate over the last decade that actually beats some other global cities. Toronto is one of Canada's growing exports success stories—there are a lot of strengths to talk about. But, today, I want to look at the industry from a slightly different perspective, and to use that platform as a jumping-off spot, to discuss the need for more infrastructure, particularly, more public-private infrastructure projects, partnerships, or P3s for short. Now, if that sounds like a stretch, let me quickly dispel your worry.

First of all, building and sustaining a top-ten global financial services centre takes a lot of things: A strong, stable financial system, as I have mentioned—check mark beside that one. A competitive business environment. We all like to say that there are things to fix in this regard, but you can put a pretty large check mark there, too: Just last week Bloomberg ranked Canada number two in the world, up from sixth place as one of the most attractive countries for business. A highly skilled and diverse talent base, and an enviable quality of life. Two more check marks.

But there is one area that still needs more work: Building and upgrading our infrastructure from roads and transit lines, to airline links and water pipes. Check mark? Not so much, and this matters for a city region like ours because we are competing fiercely with global financial centres around the world. And jobs, like financial services jobs, high-skilled, high-paying jobs that support other jobs—some 350,000 direct and indirect to be exact—and support

20% of our city's GDP do not have to be here anymore in today's technical age. Financial business can be done in many other cities and regions, and, trust me, many of those cities and regions are here knocking on the doors of our financial industry, saying, "We would love to have you in our jurisdiction." Fortunately, our governments are trying to respond to the challenge in various ways. Both Ottawa and Ontario have announced major infrastructure money and projects. The city is driving us all crazy with all the major construction projects that they have underway. We have a new mayor who actually understands some of these major issues and—whoops. That was a political comment; I am not supposed to do that. But I think we have a really unique sort of "stars-are-aligned" situation where we have a premier and a prime minister and a mayor of this city, who actually get some of this stuff. Are the stars aligned? Is this actually an opportunity for good old Toronto here on catching up on our infrastructure deficit?

We do not need stats to highlight the problem; we see it with our own eyes every day. Overcrowded subways, deteriorating roads, gridlock, busted water pipes, electricity blackouts, and new communities needing new schools, new water and sewer plants, new hospitals, while old schools, hospitals and pipes need replacement or refurbishment. And when I say all that, it does not mean that a lot of good stuff is not happening. But we all know that that need is still out there. For those of you who do need some numbers, the

Federation of Canadian Municipalities has estimated that the municipal infrastructure deficit is $123 billion, just to maintain existing municipal infrastructure. The Canadian infrastructure report card estimates the replacement cost for roads and water systems in trouble is about $171 billion, over the next ten years. PwC has estimated—if you add in provincial and federal needs—that you could be as high as $400 billion. With numbers like that, it is clear that no government can handle all of this on their own. And, fortunately, I think there is an answer, and it is a solution with a track record of success not only here, but around the world, and that is my second message: We need to fix our infrastructure, if we are to compete as a global financial centre, and we need to do it with more P3 projects. I think they are a significant part of the solution. Whether it is designing, building, financing, maintaining, operating—even owning in some circumstances—there are many ways to do it, but, at its heart, it is simply leveraging the strengths of the private sector to meet the needs of the public sector on behalf of all of us.

There are some 214 P3 projects across the country under construction or in operation worth about $67 billion. A recent Nanos research poll commissioned by the Canadian Council for Public-Private Partnerships, reported that such projects created almost 300,000 direct jobs between 2003 and 2012—projects that contributed $25 billion in direct GDP and $7.5 billion in government tax revenues. Former finance ministers like those numbers. Perhaps, more importantly, these projects produced almost $10 billion in savings to tax payers versus traditional procurement—not to mention the existence of the projects themselves, now there for the benefit of communities, and delivered in a way that supports innovation, offers value for money and delivers projects on time and on budget.

Canadians recognize this value, as some other public opinion research shows that 62% of Canadians broadly support the use of P3s to build infrastructure and deliver public services. That support can increase when citizens are aware of a P3 project in their community such as with the Moncton Water Treatment Facility. With respect to that project, 73% of residents were supportive. In Sault Ste. Marie, of a hospital project, a majority of Canadians surveyed in those communities believe that the project would never have gotten off the ground without this critical partnership; some 70% in that survey supported it.

And we do not have to look far to see the benefits of P3 infrastructure initiatives here in Canada: The Canada Line in BC, the Regina Wastewater Treatment Plant, Toronto's pedestrian tunnel at the Billy Bishop Airport, the Union-Pearson Airport Express, to name just a few that are under way. That means projects designed to help reduce commuting times for families, enhance economic competitiveness, encourage job creation, strengthen trade corridors. These new and renewed state-of-the-art facilities are critical to the economic future and quality of life in these communities and will be for decades to come. So the evidence is pretty clear that P3 projects can be a major part of the solution to our infrastructure challenge.

But, here is another important fact about the P3 world, and one that makes it an even bigger win-win for all of us. It turns out that we are rather good at this P3 thing, especially, when it comes to our financial services sector, and that is my third message: Whether it is the internationally recognized expertise that supports us from Infrastructure Ontario, the provincial agency running P3 projects in healthcare and transportation, the global thought leadership of the Canadian Council for Public-Private Partnerships, the federal government's 3P agency, the growing international reputation of our major pension plans and insurance companies as savvy investors in infrastructure projects, we have an asset here that we can leverage more for the benefit of Toronto and the rest of the country, and it is building a global niche for Canada.

Canada is increasingly recognized as a world leader in establishing successful P3s to address infrastructure deficits. And with the experience we have had there is a critical ecosystem of expertise with a steady pipeline of projects and well-respected procurement. We are a popular market for national and international P3 players. As Canada's financial and business capital, Toronto provides a gateway for global public and private sector participants to reach more members of the country's P3 infrastructure community. At the same time, Toronto's P3 community is actively seeking opportunities abroad, to apply its expertise, so we are a centre of excellence, home to leading national and international developers and construction companies, as well as financiers, architects, engineers, lawyers, asset managers, consultants—a whole ecosystem of talent that helps support this.

Three of the world's leading infrastructure developers operate from offices here, along with two of the world's major infrastructure advisory firms, three of the world's 50 biggest pension funds, three of the world's 20 biggest insurance companies. Recognition of our county's leadership has brought governments from around the world to our doorstep, seeking support to undertake their own P3 projects—whether they are representatives of developing countries trying to cope with the demands of over 1 million people a week moving into urban centers, or whether they are leaders from developed nations, whose sustainable economic growth depends on the repair and replacement of aging infrastructure. Both are finding needed expertise and investment from Canadian companies for their P3 projects.

A significant source of this financing comes from our large pension and insurance firms because these companies have long-term investment horizons in order to fund our long-term retirement income and insurance needs. They need long-term investments. P3 infrastructure projects fit the bill. As the head of one firm once joked, for his company, a business quarter is 25 years.

Canada's largest public pension plans are a Canadian success story, supporting a talent base of excellent managers of quality, large-scale investments. Our ten largest have invested roughly $400 billion in Canadian enterprises, including $100 billion in real estate infrastructure and private equity. We also have four of the top 20 global investors in infrastructure assets here. That investment, as well as supporting pensions for literally millions of Canadians, also supports the direct employment of 5,000 professionals in the financial sector and an additional 5,000 employees in their real estate subs. The firms like Teachers', OMERS, CPPIB, are becoming internationally recognized, but they are not alone in capturing international interest. P3 projects require stable, adequate, long-term financial resources, and other organizations such as RBC Capital Markets, BMO Capital Markets, CIBC Capital Markets, TD Securities, Scotia, and Stonebridge Financial Corp. have developed specialized financial solutions for P3 infrastructure ventures. Insurers like Manulife and Sun Life are also very involved in P3 infrastructure financing. The Canadian insurance industry has approximately $6 billion in direct infrastructure investments, and is one of the largest investors in a number of critical asset classes in the economy.

I would be remiss if I did not highlight how our public sector has been driving P3 partnerships as well. An important feature of the Canadian market's excellence is in the caliber of some of that central infrastructure agencies that I mentioned earlier, with P3 Canada or Infrastructure Ontario. Let us take Infrastructure Ontario, for example, and I have a bit of a soft spot for IO, as it evolved, so to speak, from SuperBuild, which was the Harris government's infrastructure agency, which I had the privilege to chair while I was finance minister. IO works to deliver public benefits through partnerships with the private sector using the principles of transparency, accountability, demonstration of value for money, maintenance of public ownership and control, and the protection of the public interest.

Their expertise has led them to the global stage as well; for example, the agency is assessing opportunities for companies to compete for projects in the United States, through its work with the National Governors Association Advisory Council on Public-Private Partnerships. They are also building relationships with the Inter-American Development Bank, collaborating with Ontario's international trade officers to create opportunities for Ontario companies. So, clearly this is something Canada is good at; and that success, generated by our financial services sector and other infrastructure agencies and partners is a critical economic strength.

And that brings me to my fourth message of the day: It is ironic, that with all this global recognition and success, as P3 infrastructure investors and builders, we still have challenges getting more such projects under way here at home. Our financial industry is prepared to do more to support infrastructure investments here. We know the need is huge, but despite the success of such projects, despite their clear benefits to the tax payers and communities, despite our growing global reputation as infrastructure investors and builders, such projects can still generate political controversy here at home. Sometimes it can be attributed to a lack of understanding within some in the public sector about what is or is not an appropriate infrastructure project for a P3 approach. For example, a pension fund is usually interested in existing assets, with proven cash flows, not green-fill projects. Sometimes it is driven by the uncertainty that the political process can create, as one government second-guesses its predecessor's decisions. Remember, infrastructure investors think in decades, not electoral cycles. Sometimes it is being driven by unions, who see the move to P3s as a threat to their jobs and compensation packages.

OPSEU's recent publication entitled "Epic Fail: A Short History of Privatization in Ontario" tends to lump a lot of things together, from privatization to outsourcing to P3s, but in their view it is all a "failed policy that just won't go away." Some get hung up on the public versus private ownership or see it all as privatization when it is clearly not. And sometimes it is just a basic lack of understanding, about what a P3 is, what benefits it can bring to the table for the benefit of tax payers and communities; for example, critics will argue that governments can borrow money for infrastructure projects at a cheaper rate than the private sector. They ignore the fact that both provincial and federal governments have quite enough debt, thank you very much. And adding to it, particularly, here in Ontario, where promises of a balanced budget are still some years away, is not helping tax payers.

And such a view also ignores the more important, real reason that one would enter into a P3 partnership: The critical value-add inherent in the private sector's ability to assume risk for the government or its superior discipline in project management, cost efficiencies, innovation and design, and delivery and execution.

Let us try a little test. Close your eyes. Now, think of characteristics like effective project management; on-time, on-budget delivery; innovation; clarity of purpose; measurable results. Now, imagine an organization that personifies all of those characteristics. Hands up: How many of you thought "Government"? The difficulty is that such controversy can discourage governments from accessing the expertise and funds they have at hand, through the private sector, for the betterment of their communities. So we need to stay focused on the advantages that can come from leveraging private sector expertise and delivering projects on time and on budget, while still retaining public ownership, in their ability to assume and manage risk better than government; or the simple fact that no government has the financial resources to meet all of our infrastructure needs, without such public/private partnerships. There is no question that government and private sector partners need the right skills, expertise and knowledge before jumping into such projects. Inexperienced staff in either sector has a proven track record of dragging projects into trouble, sooner as opposed to later. And it is also clear that no every infrastructure project makes sense as a P3, or that every project will be successful. However, the last time I checked, government-led projects were not always standing on the gold medal podium either.

So let us find the successes and emulate them. Let us examine the failures and learn from them. Let us set aside the controversy and look at the facts. Let us hold the rhetoric, look at the record and stop using infrastructure projects as fodder for collecting political Brownie points, and see how they can be innovatively financed and delivered to solve our problems. This is not an argument about private sector good, public sector bad—quite the contrary. As a public-private partnership itself, TFSA proves every day that the magic trick is leveraging the strengths of both.

We have major infrastructure needs in this region, and, for the financial services industry, it is a major priority; and if we do not meet them, it will undermine the global success this region has enjoyed to date. It will damage the quality of life that attracts and retains the top talent we have now and the talent we need to attract in the future. It will chip away at our value proposition as a growing international financial centre. There is a solution at hand, and one that not only generates much-needed benefits at home, but helps forge our global reputation as financial and infrastructure experts. It is something we can all shout about. It is something that can put us back up there on the podium. It is something that we need, so, together, government and industry, I hope we can get on with it.

Thank you very much, and I look forward to any questions you may have.

Questions & Answers

Q: What are the sources of opposition to P3s? It surprises me to hear you defending P3s in a way that suggests that they are under attack in some fashion.

JE: Well, I think, as I mentioned, there has been some controversy about them in the political world, and, I think, if you talk to some of the folks who are involved in trying to move forward P3 projects, they certainly have encountered a fair degree of opposition in different ways or criticism in different ways, and I think what is important is that we, as I said, look at the record, look at the facts, figure out what works and move forward on it and try to find ways to not use such projects as political footballs which has happened from time to time.

As I said, there is no question that some projects do get into trouble, and often it is because some of the players that got involved in the first place did not do some of their homework at the beginning. But I think anything that the business community can do to help make a case to help—whether it is Minister Oliver, or whether it is the premier or Minister Sousa, you know, who has been trying to provide some leadership, and, hopefully, we will see with Mayor Tory here in the city—is what we need. I think we need to be out there helping to support our governments in moving forward with more infrastructure projects. Thanks.

Note of Appreciation by Mark Ramoff, President & CEO, The Canadian Council for Public-Private Partnerships

Thank you very much. So, Janet, first of all, I think you should be running again to have someone around the cabinet table or actually overseeing that cabinet table, someone who has such a fine understanding, appreciation, and support for P3s. You are number one, so I am not surprised there are no questions. You covered it all.

What I would like to say, though and I think many in the room know this is that we can be very proud as Canadians of our success stories in this area of public-private partnerships. We are recognized globally as very best in class, but these reputations also have a shelf life to them, so it is important that we continue to move ahead with this model in as diversified a way as we possibly can. And we still have lots of work to do in Canada; in fact, our successes are very much at the federal and provincial level, and now the interest is shifting to municipalities and Aboriginal communities, so there is tremendous opportunity to take the lessons learned in some of these bigger projects to communities around the country.

And, again, I think the messages that Janet has delivered here are heartwarming as we move ahead. We can be very proud of an organization like Infrastructure Ontario because they are truly recognized as an organization globally at the cutting edge, when it comes to public-private partnerships. And it was clear, as many of you know, that the Council held its annual conference just a few weeks back. We had 25 countries represented at the conference, and those other 24 countries were coming to Canada to learn a bit more about the way we do it, and, hopefully, find ways to take our very best practices and adapt them in their markets, so, it is a great opportunity for Canada, and it is wonderful to have a representative like Janet here to lay out the case, and remind us just how good we are at something and make sure that we capitalize on it.

So, again, Janet, on behalf of everyone here, thank you very much, for a very compelling address.

Concluding Remarks by Andrea Wood

I would like to take a moment to thank our very generous sponsors, the Canadian Council for Public-Private Partnerships, for sponsoring our event today; the 407/ETR for sponsoring our VIP reception; and EllisDon Corporation for sponsoring our student table this afternoon.

I would also like to thank the *National Post* as our print media sponsor. This meeting will be broadcast on Rogers TV.

You can follow us on Twitter at @Empire_Club and visit us online at www.empireclub.org.

Thank you all for coming. Please, join us again soon. One of the upcoming events that I would like to highlight for you is a very popular one, and one that sells out every year: On January 8th is our Investment Outlook, so, please, make sure you mark your calendars, and, hopefully, we will see you then, if not before then. This meeting is now adjourned.

The Empire Club Presents

HER HONOUR THE HONOURABLE ELIZABETH DOWDESWELL LIEUTENANT GOVERNOR OF ONTARIO:

HOLIDAY LUNCHEON ADDRESS

December 11, 2014

HEAD TABLE:

Distinguished Guest Speaker:

The Honourable Elizabeth Dowdeswell, OC, O.Ont, 29th Lieutenant Governor of Ontario

Guests:

Dr. Eric Jackman,President, Invicta Investments Inc.; Chairman, The Jackman Foundation

Ms. M. J. Perry, Vice President and Owner, Mr. Discount; Director, Empire Club of Canada

Mr. Matthew Rowe, Manager, Operations & Partnerships, Prince's Charities Canada; Director, Empire Club of Canada

Ms. Angela Saini. Singer and Songwriter

Mr. William White, Chairman, IBK Capital Corp.; Director, Empire Club of Canada

Ms. Andrea Wood, Senior Vice President, Legal Services, TELUS; President, Empire Club of Canada

Welcome Address by Andrea Wood, President, Empire Club of Canada

The Honourable Elizabeth Dowdeswell was appointed Ontario's 29th Lieutenant Governor following a distinguished career. Her Honour is an accomplished civil servant and is passionately devoted to the advancement of humanity. She cares deeply about the environment, which she considers the fundamental basis for life on earth. She has lead provincial, federal and international institutions and has served on the boards of corporate and non-profit organizations. Her years as Under-Secretary-General at the United Nations profoundly shaped her worldview and continue to inform her thinking. As Lieutenant Governor, the focus of her mandate is Ontario in the world. She listens to Ontarians and engages them in meaningful dialogue about what they can contribute and learn from others.

Her Honour's aim is to bring multiple perspectives to the table, encourage innovation and cultivate ideas for the betterment of Ontario and the world. Ontario can both learn and lead.

Ms. Dowdeswell was born in Northern Ireland, is an officer of the Order of Canada, and *holds ten* honorary degrees. It is an extraordinary accomplishment.

Ladies and gentlemen, mesdames et messieurs, please, join me in welcoming the Honourable Elizabeth Dowdeswell, Lieutenant Governor of Ontario.

The Honourable Elizabeth Dowdeswell

Thank you very much, head table guests. Ladies and gentlemen, let me assure you I am not about to break out into song.

Thank you also for the entertainment. That was a delight and puts us all in a festive mood. I am very pleased to be here with you today, to be among some friends, and recognize that those of you who are here did brave the first exploration that we have with winter to come, so I am delighted that you were able to be with us today.

I actually serve as Honorary Vice President of the Empire Club of Canada, something I just found out about. I keep getting surprises almost every day, and I am delighted to attend this first annual Christmas luncheon for the first time in my term as Lieutenant Governor. This is also probably my last major public event for 2014, and so it has caused me to reflect just a little on the remarkable journey that I have been on since late September. In many ways, it seems like quite a while that I have been in this position, and yet it is only about ten weeks, so the important lesson is that I think I have about six months in a new job when I can continue to make all kinds of mistakes before people start calling me on it. But in the spirit of accountability I want to share with you just a quick glimpse into what has been a very hectic schedule. I want to mention the generosity of so many citizens who have actually engaged with me in that short period of time and also some of the insights that I have gained. But the bottom line, just to jump to the end, is that I feel so privileged to hold this position, and I thank each and every one of you and others who have given me such support and encouragement in the early days.

Canada's particular constitutional framework, our sovereign democracy, has allowed our system of governance to evolve in a peaceful and orderly manner. I serve as the Chief Executive of the province of Ontario and the representative of The Queen in this jurisdiction, so task number one is to protect the integrity of the system with loyalty and impartiality, to advise, caution, and warn.

What is much more public, however, is the second role that I play. I have the unique opportunity to celebrate the achievements, large and small, of citizens in this province. We commemorate the sacrifices of our military and the dedication to duty of those who provide essential services in all of our communities. And we recognize and encourage a healthy spirit of volunteerism among young and old alike that make our communities more humane and compassionate. I have spent the greater part of my life in some form of public service at the provincial, federal, and international levels, and, through my experience, I came to experience a great deal about Canada as I met with and listened to people in communities the length and breadth and the high arctic, in this country. And my experience overseas, while working with the United Nations, gave me that rare opportunity to actually look at my own country through other people's eyes and from a different perspective outside the country. But I have to say that in the past 90 days, I came to appreciate, as never before, the extraordinary breadth and depth of people and achievements to be found right here in Ontario. And most of us do not know about it and do not celebrate it.

The calendar has been very full. I have met citizens old and young from north and south, commemorated milestone moments in our history and honoured so many that have served us selflessly and compassionately. The Lieutenant Governor's Suite has been full of art, music and storytelling, and I have listened and learned. I have taken part in something like 150 events in just ten weeks, so do the math: If I look a little weary around the edges, you will understand why. But statistics cannot possibly convey the full range of emotions that I have experienced. From pure unadulterated joy and fun to moments of quiet reflection and, indeed, some considerable sadness. I think of the intimidation that I felt, meeting a feisty 99-year-old Italian woman, who was receiving a good citizenship award, when she told me that she had just last week completed a 2-kilometre walk—just a little intimidating. And then there was the young man from grade seven, who urged me that I really should be spending my time focusing on alleviating poverty and homelessness and confidently went on to explain to me why. It made me wonder what on earth I was thinking about in grade seven, but I do not think it was that. Or the intellectual stimulation that has come at roundtables organized by students and professors at Laurentian and Brock Universities just recently. Or the insights into the challenges that are faced by our northern fly-in Aboriginal communities, like KI, where I came away understanding the knowledge of elders and also the hopes and dreams of Aboriginal youth as they walk in two worlds.

The year 2014 has been a memorable year for Ontario, with many events throughout the province to mark the 100th anniversary of the year of the outbreak of World War One and the 75th anniversary of the start of World War Two. I had the immense privilege of participating in several of these commemorative events, including a service at St. Andrew's Presbyterian Church in Toronto to honour a congregation whose members fought in the Great War—a significant portion of their congregation who went to war, as a matter of fact—and then the investiture of Ontario veterans of World War One as knights in the French Légion d'Honneur.

I have also been honoured to present bravery medals to courageous members of Ontario's police and firefighting services, and, more importantly, I guess, to afterwards meet with their young sons and daughters and sometimes the grandchildren of these, asking them to tell me stories about their father, about their grandfather. And I do say "father" and "grandfather" because none of them actually were women at that time. And it is wonderful to see those young people come in to the Lieutenant Governor's Suite—into "the castle," as so many of them call it. They have never been in the legislature before. This teaches them something about our current system of governance but also teaches them a little bit about the history. And so they wander around looking at the paintings and the artefacts and ask questions and come away saying, "You know that important woman talked to me about my dad." And it makes the occasion all the more special for some of our young and upcoming citizens.

I have also had the opportunity to award excellence through awards to journalists in the ethnic media, researchers in applied and social sciences, or young creative Aboriginal writers, and to applaud many other outstanding Ontarians who are simply demonstrating effective citizenship in the interest of all of us. They include a Toronto police sergeant who risked his life to help an American soldier under fire in Kandahar, Afghanistan. They include a professor from McMaster University whose research into cardiovascular disease is helping to shape global policies for prevention and treatment. They include singer Gordon Lightfoot now, who could not enjoy this job being on stage with Gordon Lightfoot, a national treasure whose evocative poetry and music are of course known around the world. They include the senior citizen from Burlington, whose expertise as a volunteer with the Red Cross is such that he is called upon to help with natural disasters and emergencies across Canada and the United States. And that is just to name but a very few of te extraordinary Ontarians who are making a mark on the world as well as on our province.

And the final role that I play, as some of you may be aware: It has been a tradition in the last several years for lieutenant governors to choose a theme or themes for their term in office, from citizenship, culture and the arts, accessibility, Aboriginal literacy to the promotion of the rightful place for women and girls. And each of my predecessors left indelible marks through their selflessness, their hard work and dedication. This is really an opportunity for each lieutenant governor to shine a light on important issues—issues that transcend politics and time, issues that would benefit from some systemic thinking and genuine dialogue with multiple perspectives and multiple sectors.

When I was invested, I decided to author a slightly different approach. And that was because I wanted to start by listening. To that end, I have been spending the first months of my mandate hearing from Ontarians their ideas about Ontario's place in the world. We stand at such an interesting moment in history, living as we do in a fast-changing, interconnected, and very complex universe, where the world's most important problems are also those of Ontario. I mentioned in that address, three main challenges that I think face all of us, and they are all interrelated challenges. The first is to assure responsible and inclusive prosperity by harnessing a strong and healthy innovation ecosystem to create opportunities for all of our people. How do we fuel and secure dynamic economic vitality and productivity? How do we develop talented, diverse and highly skilled work forces? How do we create opportunities for young people and jobs that provide dignified work?

The second and related challenge has to do with the fragility of our planet, and that is really our mutual vulnerability with others around the globe. I would like to think that our citizens in Ontario understand that a healthy environment is the foundation for life on earth. We are among the most scientifically literate people in the world, but the question is whether or not we have the imagination and determination to set ambitious goals to mobilize our talents, our energies and our environmental resources in a shared vision of what our future would look like.

And our third challenge as we protect the environment and develop economically will be to ensure social cohesion. This year alone has been a time when we have seen firsthand tribalism around the world exploding into violence even on our own doorstep. We have the great good fortune to live in a free and open society in which all races and creeds are respected, and we view our ethnic and religious diversity as a source of strength; however, although we live in one of the most pluralistic and tolerant societies in the world, we cannot afford to become complacent. With changing demographics—that mainly means those of us that are growing older—and with increasing poverty, homelessness and mental health issues, we much reach across divides, get to know each other better, humanize one another and create spaces both public and private where we can work and play together in just and sustainable communities. Generosity of spirit, tolerance, and commitment to social justice must continue to be nurtured.

Ontario and the world are really mirror images of each other. To succeed at home, we must contribute to the world; to contribute to the world, we must be successful here at home. We are, as the poet John Donne wrote, "involved in mankind," so how can we contribute to the rest of humanity, and what can we learn from each other to meet the global and local challenges that we face in common? To achieve an Ontario that works for everyone will require uncommon dedication, creativity and energy. And I invite all Ontarians to join me in this challenging yet exciting journey into our shared future.

I thank the Empire Club for inviting me here to say a few words with you today. Thank you for being such an attentive audience. And I would like to leave you with one parting thought: We generally think of peace as freedom from war, but we are not at peace if there is not enough food to eat, if there is not adequate shelter, if people are sick and cannot get medical care, if they are impoverished and cannot escape poverty's grip. In these terms, millions of our fellow human beings on this planet cannot be said to be at peace. So at this special time of year, whether you celebrate Hanukkah, Christmas or Winter Solstice, in the name of The Queen, and on behalf of all Ontarians, I wish you and your families a happy holiday season and a peaceful and prosperous New Year to come.

Thank you. Merci.

Note of Appreciation by Matthew Rowe, Manager, Operations and Partnerships, Prince's Charities Canada; Director, Empire Club of Canada

Thank you very much Andrea. Thank you so much, Your Honour. The annual Christmas Luncheon with the lieutenant governor is a great tradition for the Empire Club. And I think the reason for that is because, you know, we have many politicians come here and speak at this podium, but Christmas and the holiday season is a time for coming together, for putting aside one's differences. So I think it is very appropriate that we do not have a politician at this time of year, but, rather, someone like yourself who is able to represent all Ontarians under one common banner and with the goal of making us a better society, a better place and better people.

I believe it was former Lieutenant Governor Hilary Weston, who described the office of lieutenant governor as being a fragile one, as one that is always struggling to prove its relevance. And I think that that is the same with the monarchy in general, but it is through adaptation, through change, that it remains so strong, so, at the same time as appearing so fragile, it is extraordinarily strong. And it is one of the reasons why Ontario and Canada and, indeed, all of the Commonwealth around us, enjoy such a high standard of living, such a high standard of governance. It is because of the strength of this system that is rooted in a human being. It is not all about a piece of paper or piece of fabric but, rather, a living, breathing person. And I think that rooting that in our basic humanity is one of the reasons that makes this such a great system.

I want to thank you again for your kind and inspiring words, and I think I speak for all of the guests gathered here today when I say that I think you are going to make a tremendous representative for Her Majesty. I think she is very lucky to have you.

Thank you so much.

Concluding Remarks by Andrea Wood

Thank you, Matthew. I would like to thank our generous sponsors of today's lunch: IBK Capital Corporation, thank you. Mr. Discount and Eric Jackman, thank you very much, for sponsoring student tables this afternoon.

I would like to thank the *National Post* as our print media sponsor. This meeting will be broadcast on Rogers TV.

Follow us on Twitter at @Empire_Club and visit us online at www.empireclub.org.

Thank you all for coming. I wish you and your families very happy holidays, and we look forward to seeing you in 2015. Thank you.

The Empire Club Presents

ANNUAL INVESTMENT OUTLOOK LUNCHEON:

January 8, 2015

HEAD TABLE:

Distinguished Guest Speakers:

Mr. Thomas Caldwell, Chairman and CEO, Caldwell Securities

Mr. Ian Russell, President and CEO, Investment Industry's Association of Canada

Mr. Avery Shenfeld, Managing Director and Chief Economist, CIBC World Markets

Guests:

Mr. Nick Barisheff, President & CEO, Bullion Management Group Inc.

Mr. Alex Besharat Managing Director & Head of Full Service Brokerage ScotiaMcLeod

Mr. Sean Boyd, Vice Chairman & CEO, Agnico Eagle Mines Limited

Mr. David Brown, Partner, WeirFoulds LLP

Mr. Richard Carleton, CEO, Canadian Securities Exchange

Mr. Rory Cattanach, Partner, Wildeboer Dellelce LLP

Mr. Stephen DeKuyper Chaplain, King-Bay Chaplaincy

Mr. Lou Eccleston CEO, TMX Group Limited

Mr. Jeremy Freedman, CEO, Gluskin Sheff + Associates Inc.

Mr. Brian Koscak Chairman, Private Capital Markets Association of Canada

Mr. Eugene McBurney Chairman, GMP Securities LP

Mr. Gilles Ouellette, President & CEO, BMO Financial Group

Mr. Bill Packham, Executive Managing Director, Wealth Management and Life and Health Insurance, Desjardins Group

Mr. Stephen Roman, Chairman, President & CEO, Harte Gold Corp.

Mr. Bruce Shaw, Managing Director, TD Newcrest

Mr. Jay Smith, First Vice President, CIBC Wood Gundy

Ms. Verity Sylvester, Director, CV Management Inc.
Mr. Rod Thomas, President, Prospectors and Developers Association of Canada (PDAC)
Mr. William White, Chairman, IBK Capital Corp.
Ms. Andrea Wood, Senior Vice President, Legal Services, TELUS; President, Empire Club of Canada

Welcome Address by Andrea Wood, President, Empire Club of Canada

Ladies and gentlemen, it takes courage to predict the future publicly and on the record as our speakers are about to do. It takes even more courage to take big risks on the accuracy of those predictions. I assume our speakers are doing that, too. But it takes a lot more than courage to predict the future accurately. That takes intelligence, hard work and an ability to see patterns in huge amounts of raw data. That is what great investors do and great fortune tellers do, and it is what our speakers today have been doing for years.

Thomas Caldwell is an industry legend, as you know. He has been actively involved in the investment industry since he graduated from McGill in 1965. He is the Chairman of Caldwell Securities; the CEO and a director of Urbana Corporation; and Chairman of the Canadian Securities Exchange. He is a past governor of the Toronto Stock Exchange and is recognized as one of the world's foremost investors in securities exchanges. He also serves on the board of the Conference of Defense Associations Institute in Ottawa; is an Honourary Lieutenant Colonel of the

Lincoln and Welland Regiment; and was recently inducted into the IIAC Investment Industry Hall of Fame. A bit intimidating.

Ian Russell is President and CEO of the Investment Industry's Association of Canada, a position he has held since its inauguration in April, 2006. Prior to his appointment at the IIAC, Ian headed the Industry Relations and Representation Group of the Investment Dealers Association of Canada. Ian was recently appointed Chair of the International Counsel of Securities Association. He is the first Canadian in 20 years to serve in this capacity. He is a frequent columnist in industry publications.

And, last but not least, Avery Shenfeld is Managing Director and Chief Economist of CIBC World Markets. He has been with CIBC since 1993 and is widely recognized as one of Canada's leading economists. He is a four-time winner of the Dow Jones Market Watch Forecasting Award and has received awards for forecast accuracy on the U.S. and Canadian economies from Bloomberg Markets. He has also been consistently ranked as one of the top Canadian economists by institutional investors.

We are very privileged to have these very distinguished speakers with us today to offer their views on what 2015 is likely to bring to the investment community.

Our format today will be a little bit different than our usual format. Instead of appearing as a panel, our speakers will come to speak to you one by one.

Let me start then by inviting Thomas Caldwell to join me on the podium. Welcome.

Thomas Caldwell

Thank you very much. I kind of like that 'legend' talk. It will be hard to get through all this in the 90 minutes that has been allocated me, but I will do my best. I wanted to follow up on my last talk, the last time I was here regarding regulatory strangulation because that is a trend that I have been on. I will just briefly get on it; then, I will get into the real stuff. I do not know if you were here then, but I brought in the Ontario Securities Act of now and the Ontario Securities Act about twenty—difference in size. I cannot do that anymore because the regulators have moved the tissue paper, so I have had an impact on government.

My prediction was the decline of the independent investment advisors. My prediction was exceeded. I had used the number 20. Twenty would leave the field. Since that talk, 32 independent investment investors have closed shop. Regulations continue to explode in volume and implode in relevance. Investment advice and advisors are still being hammered by regulators, their lobby groups with media ignoring all client satisfaction surveys.

It is hard to imagine similar behavior by the Law Society. Can you image the Law Society coming at—50% of all lawsuits are lost by somebody. Therefore, lawyers are no good. Or can you imagine that you are talking about trader fees? Can you imagine the Law Society saying, “We don’t believe we should allow retainers anymore for lawyers?” Cannot see that. Or the Canadian Medical Association? People still dying. Doctors useless. Whatever.

So I give some advice to regulators: Quantity is no substitute for quality. That is not taught in law schools. The opposite is taught in law schools, and part of it is too much information is no information. Anybody here ever read a prospectus? No, you have not. I know you have not. How many of us have signed them? Sadly, the trend of investors losing independent advice will continue through this year.

Let us get the real stuff, the forecast stuff. A key part of my job when not coping with regulatory demands is to discern what is important within massive information overload. That means I have to filter and simplify and to come down to decisional actions. The year 2014 had lots of geopolitical distractions. Although tragic and distressing at the human level, most of it—to quote that great investment advisor, Hyman Roth, from *The Godfather*—“It had nothing to do with business.” And just keep that in mind. Now, despite the rhetoric and overanalyzing, only a few factors were and are relevant to capital markets in my opinion.

First, the filter that I use relates to the raw material I use for decision-making. For example, I am very cynical about any government statistics, whether GDP growth, inflation, unemployment, quit rates—all of these. They are late, inaccurate and they are open to manipulation. The only numbers that count are corporate earnings. They are the only ones who go to jail for manipulating. They showed corporations and the economy were all growing last year, admittedly, in some cases, at a glacial rate, but they were still growing.

Second point: Deflation. Lots of talk about deflation, concerns about deflation. Long-term deflation, that is, in North America, are a scam. Yes, there will be downdrafts in the economy and sectors, but anybody who bets on long-term deflation over my 50-year career has lost money.

The third thing is what I consider to be the determining factor for markets and economies and that is interest rates. Interest rates are the price of ownership of everything and the current level of interest rates subsidizes ownership. It subsidizes your buying a house, buying a car, buying stocks, whatever. Go out and borrow money, and buy stuff despite all the deflation talk. Yes, interest rates will go up, but when they go up is irrelevant. When rates are raised, it will be underpinned by a strong economy, and any increase in interest rates is going to be gradual, and it would be late. It would be long after this economy is rolling. No central bank on earth is going to risk cutting off a nascent economic recovery. They will not be precipitous in this. They will want to be sure and that will make them late and gradual.

Low rates will continue to provide steam under the economy through 2015. The Yellen bounce by the end of the year should not have been a surprise to anyone.

Oil prices. Oil prices are a combination of geopolitical—the U.S. and Saudis trying to put pressure on Russia and Syria and Iran, and then the Saudis trying to put pressure on America, and everybody tries to put pressure on everybody and simple supply growth—that is, shale and enhanced drilling.

Self-sufficiency. The United States and oil will have tremendous connotations for Middle East policy and, indeed, the XL which is always in our newspapers. Overall, the current oil pricing is positive. When I wrote this paper, by the way, it is about a $800 tax cut for every U.S. family. That is low now. It is low. It is more than that, and it is more if you add in the ripple effect of industrial production costs. This is a significant stimulus for the overall world economy.

Clearly, lower oil prices are not a positive for producing countries, such as Canada. It impacts the dollar, our economy, anticipated government surpluses, but it does create bargains in Canada. Now, remember, I am a garbage man. I just look for stuff where there is crisis that will create bargains across the spectrum wider than oil in Canada. If I had to give you my forecast—"forecast" sounds quite official. This is my guess: My guess is as bad as anybody else's—just so I qualify this. If I had to give you my forecast guess, I would say oil will probably range between $60 to $80 bucks, somewhere in there. Maybe even $70 to $90 at some point. But $60 to $80—and everybody more or less is all right around those levels, and I think what is happening is pricing for oil is more into normal range, whatever normal is. And $110, $120, that is not normal pricing for oil. We got used to it, but it was not normal. I do not even know what normal is, by the way, but that is not normal. Back to the $60–$80, that is my best guess.

Another positive from this current pricing event is the increasing odds that for the foreseeable future, the future of energy will be—this is going to really hurt you Green people—hydrocarbons because alternatives just require too many subsidies to make them work.

So how do we work with these factors? Well, I will just tell you about the funds that I am responsible for and my partners at Caldwell Investment Management. We still hold large positions in major U.S. financials, such as Citycorp, Bank of America, Morgan Stanley, Chicago Board Options Exchange, and it was a little bit like shorting oil because we are out of the Canadian dollar as the Canadian dollar moves in lockstep with oil.

U.S. banks are approximately half the price of the Canadian counterparts because they are still being brutalized by regulators with multibillion dollar fines for everything and anything. Eventually, we believe this will ease, and the major U.S. banks will be able to increase dividends and become more aggressive regarding share buybacks. In the interim, they are consolidating operations, building better companies, and, keep in mind, whenever they sell a division or a subsidiary, you always get a lot more money than the price they are on the books for. There are always hidden wins as you shrink a company down.

Our future thinking involves rolling some funds back into Canada on our reduced dollar. I recently purchased some Suncor and Canadian Natural Resources—just a starter position so I start to pay attention. We would also anticipate buying some of the major Canadian banks as the oil impact gets increasingly felt. So we will be reducing our U.S. dollar ratings. For example, in the public pool that I am most involved in, I am about 80% U.S. dollar exposure.

Now, remember when we roll back into Canada, unlike the U.S. bank, the Canadian banks are a protected and nurtured species in Canada, and they have some decent dividend deals.

Regarding the raw materials sector, we are of the opinion that China will surprise on the upside, not right away. So we are delaying positions in the metal, stock, et cetera until we have greater clarity. Now, keep in mind, China has no qualms about understating their economic performance in order to drive down the price of metals or the raw materials. The Japanese did this years ago. Remember when Japan was, like, “Oh, my god, the economy’s ending!” And foom! Down would go metal prices and Sumitomo would scoop all the markets. They fight an integrated game.

Now, the public pool I mentioned is a company called Urbana Corporation, listed on the Toronto and the Canadian

Securities Exchange. You can go on the website urbanacorp.com, and you can monitor what we are doing in markets weekly—we sort of bring that up to date. So there is my company plug in there, but, at any rate, you can see what we are going real time and see how we monitor during the year. The final three points I would like to mention are what I consider macro or longer-term trends. This is not going to affect 2015, but you have got to plug them into the back of your brain. One of them is—consider this: I have a place down in Naples, Florida, and 50% of the CEOs in the Fortune 500 companies have homes in Naples. It is incredible. Ninety-million-dollar shacks on the beach. It is off the Richter scale, and I do not have one of them, by the way. But it hit me over the years: The one macro trend I would worry about is the massive disparity between the wealthy and everyone else in America. This underpins almost everything going on in the United States: Civil unrest, rules and regulations, Ferguson and the nonsense. And the middle class is not catching up. It is pulling apart, and this group has tremendous influence in government. They call Bill Gates or Buffett—but most people are not living the American dream, and even the forced, subprime financing homes was based on this dichotomy which they are trying to address. It will always be a factor you can plug into the back of your brain.

The second danger point to watch going forward are regulations of all varieties, not just securities regulations, are exploding. And the dangerous side effect of this regulatory, self-funding in the United States—not as much in Canada—is the plundering of the private sector in terms of insane fines and settlements against corporations. That is shareholders have to pay these fines. The companies do it for management transgressions.

Let me give you an example: J.P. Morgan—remember the "London Whale"? That was that big futures position? They blew $6 billion on the Whale position. These are hedge positions—$6 billion loss. Who lost that money? Shareholders. And the SEC had a chance to look at that and said, "This is terrible. We're going to fine them $4 billion for losing $6 billion!" Who did they fine? The shareholders! How they got away with that I do not know, and Jamie Dimon still gets to fly around in his jets in and out of Naples, by the way. Am I missing something here? The shareholders pay the price. The *London Economist* describes this process—this is the U.S. regulatory environment—as "the most lucrative shakedown operation in the world." It is a new taxation becoming a major break on the economy. Remember, fiscal and monetary policies can be neutralized by regulatory or legal lockdown.

The third danger point—and, again, I am standing out beyond 2015—is what I refer as "product complexity," and this will probably precipitate our next financial crisis, and, yes, we will have a next one. We have them every ten years. It will be coming. For example, remember those insured garbage bags filled with junk mortgages during the subprime banking crisis? Product complexity, and I think this will be the derivative sector and, possibly—and this is my best guess here—it will be the ETF world. Now, remember, today's flavour du jour usually becomes tomorrow's crisis. That is almost always the case. There is a terrific media campaign in support of these products and their variance. ETFs are also massive money spinners for their sponsors in structuring and maintaining the underlines of the securities. Everybody says, "Oh, it's about fees." There is a lot of stuff that is buried in there. ETFs, by their total size, now, significantly distort share pricing—and there is levered, and there are triple ups, triple downs, et cetera, as we get more and more complex. And I will say one thing on behalf of regulators. Somebody once described regulators to me as "lumbering giants trying to catch up with sprinters, and they can never do it." By definition, they have to be behind the curve because it is always something new that is going to blow up. So if I had to say what the next thing that is going to happen here that would be really upsetting, it will be out of the complexity of products in the securities business. And this is typically the case—the British have this wonderful phrase, "Too clever by half," and I think in our industry, from time to time, we get too clever by half.

Now, not to leave you with those three danger points, as I look forward, on balance—and, now, remember I am an incurable optimist, and it has served me well—I would just say to you, on balance, I think 2015 is going to be a good year for equities, and that is my opinion, and I am sticking to it.

AW: Thanks very much, Thomas. I am sure you meant to include telcos: Canadian telcos is a great place to be in 2015.

Our next speaker is Ian Russell. Please, join me on the podium.

Ian Russell

Thank you, Andrea. It is a great pleasure to be here this year at this annual look ahead, and I am also very pleased to be following Tom Caldwell. The IAC had the great pleasure of recently inducting him into the Investment Industry's Hall of Fame, as you heard from his stellar resume. This was a fitting tribute to a man who has dedicated his life to promoting excellence, integrity and innovation.

For the past three years, every November, we have polled CEOs of our 160-member firms on economic and financial business conditions for the year ahead. The results are used to demonstrate the challenges and the opportunities facing the investment dealers and their firms and to support the case for an appropriate direction and balance for regulatory policy.

Last year, at this event, I described how the CEOs were tepidly optimistic about the industry's prospects for 2014. In looking ahead to 2015, we can remove the word 'tepidly'. The survey, of course, was undertaken just before the swoon in oil prices and the related market decline. But as the latest market ups and downs remind us, the bad news of the past three months stands a good chance of being reversed. The survey offers a longer-term view.

The results auger well for capital markets in 2015, especially, given the survey's track record. Over the past two years, the survey's cautious optimism about the economy has been borne out.

In assessing our economic future, the investment industry is, I would describe, the canary in the gold mine. Market activity, financing and trading are a distillation of people's expectations of the economy, confidence in corporate earnings. In other words, the industry's health is a short hand way of interpreting how people are thinking.

Looking ahead to 2015, the canary is chirping merrily. Predictions for profitability are up significantly for the coming year. Perhaps, the most positive result is this: 70% of executives who participated in this year's survey predicted that their firm's profitability would be up in 2015. That is much higher than the 48% who felt that way a year ago. If the results are borne out, that would mean two things above all: First, for the third year in a row, industry operating profit will increase and, two, the earnings will be well spread among large and small firms in the industry.

Overall, though, the survey indicated that we continue to see change driven, not by one big revolutionary event, but the ongoing impact of three distinct trends, these being regulatory, demographic, and technological. Let us take regulatory change. When asked to identify their firm's top barrier to growth, 84% of CEOs in my industry named ongoing regulatory burdens. Sweeping regulatory reform has engulfed all investment dealers. Institutional and retail firms face client order protection rules in multiple equity markets forcing them to contend with the costs of extensive new technology and the unintended consequences of spiraling market data costs.

Retail firms also face serious regulatory challenges in terms of the comprehensive disclosure of the investing process, disclosure of conflicts of interest, fees and advisor compensation. And portfolio performance must also be disclosed. These embrace complex securities valuation and the detailed computation of portfolio data. These are complex matters. They require clear direction from the regulators before the technology can be developed and the systems then put in place. Of course, these reforms will benefit baby boomers. They are demanding a wider array of products and services and choice in discretionary management and financial and estate planning services.

This leads me to the second trend facing firms: The impact of demographics. Aging baby boomers have shifted portfolio emphasis from transactional focus to discretionary managed portfolios, which are tilted to conservative asset allocation. As well, portfolios will place greater attention on income and asset distribution. Meanwhile, tech savvy millennials are difficult to reach and more difficult to persuade to take financial advice. They are surprisingly risk-averse having witnessed the tech crash in 2000–2001 and the financial crash in 2008. The impact of these two groups can be seen in the survey results. More than 77% of CEOs said their top area of growth would be wealth management. This is especially important to baby boomers. About 72% of firms said they planned to hire more investment advisors. That is important for both boomers and millennials, many of the millennials who will feel more comfortable dealing with younger advisors.

The third trend in these results is recognition of the importance of technology. Let us see a show of hands: This holiday season, how many of you ordered gifts or made travel arrangements online? You are not alone. This year, Cyber Monday put Black Friday to shame. People demand the same cyber convenience of their financial advisors, but increased technology and systems and integrating the systems of our introducer firms and carrier firms add significantly to fixed and variable costs. That puts particular pressure on small and mid-sized dealers. In fact, technology changes were cited as a barrier to growth by 37.5% of the CEOs surveyed.

These three trends are placing enormous competitive pressures on the industry, especially, our small and mid-sized investment firms. Overall, though, the surveys indication of improved business conditions is great news for the industry, for their clients and for the Canadian economy. This is a healthy picture and while we face challenges, investment industry CEOs see a confident investment marketplace.

Thank you.

AW: Thanks very much, Ian. That was great. Next up is Avery Shenfeld. Avery, please, join me at the podium.

Avery Shenfeld

Thanks very much, Andrea. Usually when I am asked to talk on the economy and financial markets, it is actually even shorter than the ten-minute period because as I am passing in the hallway, one of my colleagues says, "So what's the outlook look like," and they want that one second status report, and those of you, especially the young people over there who are probably more familiar with this than some of us, the rest of us in the room, will know that on your Facebook page you can have that one-second status report. You can say that you are single. You can say that you are in a relationship, or if you are in a relationship, but you are not quite sure—maybe you are open to something else—you can say, "It's complicated," and that is actually the answer for the economy and, to some extent, financial markets.

It is complicated because we find ourselves here in Canada betwixt two poles. We are next door to an economy in the U.S. that I think is very much in gear, looking for growth of over 3% next year, and the equity market has it right. The reason the S&P has been flirting with new highs and so on is that corporate America is in pretty good shape, and there is still a long road ahead. We are not near the end of a cycle. We are relatively early in a cycle that has a long way to run in the U.S. economy, and it does seem in gear and, yes, they have an oil industry that might slow a little bit in the near term, but it is still a small part of the economy. They have an export sector that does not have the most vibrant trading partners, but that, too, is not as big a deal in the U.S. And what they have ahead of them is still the whole recovery and consumer spending and home building that is really only just getting going, so it is a very vibrant market just to our south, and certainly, that is an area where Canada can capitalize on, particularly, those Canadian companies that export to the U.S., to that household and consumer sector and now have the benefit of a cheaper Canadian dollar to be more competitive.

But I said we are between two poles because across the ocean, things do not look as bright. Eurozone has been flirting in and out of recession. It might grow by 1% or 1.5% next year, but that is not spectacular. When we used to talk about the "BRIC Countries"—Brazil, Russia, India, China—well, they have sort of landed like a brick actually because you have got Brazil in recession and Russia in a recession. India looks a little bit brighter, but China is slowing in the areas that we like it to grow in. So it is becoming more of a consumer economy, a bit less of a capital spending economy, even if in the near term, they are going to give some spark to that with some infrastructure spending.

So Canada's caught in that middle row, and where does that leave our financial market? Well, if we talk about central banks, it really is going to be the case whereby, to some extent, the U.S. is going to be an island unto itself for most of 2015. We are getting to the kind of unemployment rates in the U.S. that is low enough where it no longer makes sense for the U.S. economy to have those ultra-low, zero, overnight rates of interest. That does not mean that the Fed will be in a hurry to push interest rates back to anything that we used to think of as normal, but it does mean that, by the end of the year, we are going to be looking at an overnight rate of 1% or 1.25% versus zero, and I think the surprise will be that the Fed moves a bit earlier than the market expects, but then actually pauses for longer than the market expects after taking rates up to 1%.

They will be doing that hiking pretty much alone so certainly in Europe, Asia—we do not expect interest hikes out of the likes of Japan and the Eurozone. Here, in Canada, I think the Bank of Canada seems committed to lag significantly behind the Fed in terms of raising interest rates. If oil manages to recover significantly before the end of the year, we might have a quarter-point hike out of the Bank of Canada before the year is done but you know, hey, what is a quarter point between friends. It is not a significant move towards higher rates in part because the Bank of Canada actually has an agenda, even though they deny it, to let the Canadian dollar weaken still a bit further in order to transition the economy from building condos to an economy that leans more on exports and starts to attract new plants in the manufacturing sector to lever up our export growth down the road. Short-term interest rates, then, are not really going anywhere specifically in Canada but are going up about a percent in the U.S.

So what does that mean for bond market investors? Well, bond market investors, particularly in the U.S. are in a bit of denial. Long-term rates, ten-year rates, are pretty much at their cycle lows even though we are nowhere near the double-digit unemployment rates that at one point told you that the Fed was a long, long way from raising short-term rates. It really does not make sense for people to be buying ten-year U.S. Treasuries near 2% if a few years from now, you are going to be able to get 2% on an overnight rate of interest.

What has been driving that is flows out of other countries where rates are even lower, but the dollar is moving stronger and stronger, and, at some point, the dollar looks strong enough against the Euro that taking money out of Europe and putting it into the U.S. brings an additional risk of that one day the dollar could give up some of these gains. So the argument is that ten-year rates in the U.S. at some point in 2015 could flirt with levels pretty close to 3%. I know that sounds shocking from where we are now, but we were at 3% when the Fed first whispered that they were going to start unwinding the QE spending, and we were years still away from rate hikes at that point.

That is still, however, a relatively low rate of interest by historic standards, by the standards of anything other than the last couple of years. Here in Canada, because the Bank of Canada's not in as much of a hurry to hike, I think the worst we will see is 2.5% ten-year rates, maybe even a shade under that, but, again, that is still higher than we are now. So government bonds, usually thought of as the "safe asset," may not be the safe asset for 2015. I think being in the corporate bond world gives you a little bit of a better running yield and offers better value as a result.

In terms of currencies, this is an era where the dollar is supreme. I expect that to run a little while longer helped by the fact that the U.S. is going to be raising rates years before many other central banks do so. But we have already done a lot of the work there. Europe is starting to look quite competitive at current exchange rates. I think we will start to see that in some improvement in Europe's export performance. Same is true for Japan, so while there is room to run there for the dollar, it is not an endless process that takes right through the year. In terms of the Canadian dollar, I think we will see numbers like $.80 or $.81 on the Canadian dollar in the wake of the Fed hiking and the Bank of Canada delay, but, from my view, that is a good thing for the Canadian economy. It is going to help us transition growth away from debt finance consumption towards a little bit more on the export front.

So that is currencies; that is fixed income. Now, let me talk about the tougher world. What about commodities? What about equities? In the case of commodities, I joked the other day that the title of the movie for commodities in the coming year would be, "Dawn of the Dead." Now, "dead" implies where we are starting from which is that global growth does not look promising enough, and that is why we are seeing the weakness, not just in oil but remember in other cyclical materials, like copper. Even natural gas has come down a bit, all due to doubts about the pace of global growth. But, by the time we end the year, remember that what will count is perceptions on what 2016 is going to look like. And, after a dose of stimulus on the monetary policy front in Europe, a dose of fiscal stimulus in China, another year of low interest rates, generally, from central banks around the world, my view is that the global outlook will look better for 2016, and that we will see, therefore, at some point in the latter part of the year, the "Dawn of the Dead." That is the beginnings of a turn towards a brighter outlook for commodities.

And where does that then leave the Toronto Equity Market where some of us certainly have our money and others of us earn some of our fortunes in terms of trying to make that market work for raising funds and for investors? Well, at the start of the year, it certainly looks like the S&P has it over the Toronto Equity Market. They are lighter weighting in cyclicals. Their banking sector is an environment where they have got more room, at least more years ahead to start growing things like mortgage lending and consumer lending, and that certainly is an attraction, and I would agree that they would be doing better on the banking front if they were not pummeling themselves with fines, but, at some point, that will ease up.

So the S&P is starting the year in somewhat better shape than the Canadian Equity Market. And, within the Canadian Equity Market, I think what we are going to see is still an appeal towards the kind of assets that are either not so cyclical, that are basically dividend type vehicles that substitute for very low bond yields or equities that are levered to that improvement that we are seeing on the U.S. side.

But this is likely to be a tale of two halves, and I do not know whether it will divide up exactly in the middle of the year, whether the term will be even in the third or beginning a fourth quarter, but, at some point, the equity market, which is forward-looking, will look ahead to better times for the global economy in 2016. And I think, at that point, the brave investors will be adding assets in sectors like energy, counting on that comeback. And the TSX could well do what it did in the first half of 2014 before the jitters grew on global growth, which is start to outperform again the S&P 500. So the end of the year may well be the time for the TSX to shine; the first half of the year may be more of a time for the S&P to shine. But nevertheless, I think in the case of both markets, while we are only looking for possibly high, single-digit returns—so not a spectacular year—it is still an environment which equity should be moving higher over the course of the year. Earnings growth in TSX companies may be in mid-single-digits, so it is not a banner year for earnings; although, those earnings will be helped in the case of exporters by translating foreign revenues into a cheaper Canadian dollar. But the bond yields are so low that actually even with that tepid growth, stocks look, in my view, still pretty cheap. The gap between the earnings yield on equities and the yield you get on a 10-year bond is actually much wider than it is normally. So right now the equities have an edge over bonds that is wider than normal, and that would still be true if ten-year Canadian bonds were trading at 2.5%. And, when we end the year, if we are talking about where the valuations will be at the end of 2015, given that we expect double-digit earnings to return in 2016, there is room for the equity market late in the year to capture that better performance.

So if there is a book title for equities, it is something like "I'm Okay, You're Okay": Both the U.S. and Canadian equity markets look okay even if they do not necessarily look spectacular. And I always say that when you come to an event like this, and you get to chat around the kind of people we have at the head table, as I had the opportunity to do, you always come away learning something. And I did learn something that made me very optimistic, and I want to close with that. What I learned is that there is still at my age and my height—I will stretch it and say I am 5’9”—a hall of fame that I can aspire to be a member of. And I had not known that in the past, so the Hockey Hall of Fame is probably not an odds-on bet, but, for me, I am hoping that one day if some of this optimism that I expressed to you today turns out right, that I too could be in the Investment Industry Hall of Fame.

Thanks very much.

AW: You made the complicated simple. Thank you. I would like now to invite William White, who is an Empire Club director to join me at that podium to thank our guests. I just want to mention, as he joins me, that this is our 21st Financial Outlook, and Bill has been involved in, I think, each and every one of them. So I just wanted to take a moment to acknowledge that and to thank Bill on behalf of the Club.

Note of Appreciation by William White, Chairman, IBK Capital Corp.

Thank you. Madame President, distinguished Head Table Guests, fellow members and guests of the Empire Club of Canada, I have the pleasure now to express our formal thanks to our three key speakers and their firms. Tom Caldwell, Chairman and CEO of Caldwell Securities, Ian Russell, President and Chief Executive Officer of the Investment Industry Association of Canada, and Avery Shenfeld, Managing Director and Chief Economist of CIBC World Markets.

Gentlemen, what you did today, why you did it and how you did it helps each one of us to better understand and embrace the capital markets for this new year. Each of your presentations pointed out how attractive this recent cycle has been, as well as the challenges and the opportunities available in 2015 to all of us as Canadian investors.

Ladies and gentlemen, please, join me now in a very warm and special thank you to Tom Caldwell, Ian Russell and Avery Shenfeld.

Concluding Remarks by Andrea Wood

I would like to thank, in addition IBK Capital Corporation, CIBC Wood Gundy, TMX Group, Desjardins, Prospectors and Developers Association of Canada, the Canadian Securities Exchange, WeirFoulds LLP, BMO Financial Group, Wildeboer Dellelce, TD Newcrest, Harte Gold Corp., Gluskin Sheff, GMP Securities, Agnico Eagle Mines Limited, ScotiaMcLeod and Bullion Management Group Inc. for being our gold sponsors today. Thank you all. I would also like to thank Caldwell Securities and CIBC for being our event sponsor. Take a moment. Thank you to IBK Capital Corp. and BMO Nesbitt Burns for sponsoring our student tables today. Lastly, I would like to thank the Investment Industry Association of Canada for being our presenting sponsor today.

Thanks to the *National Post* which is our print media sponsor, and you can follow us on Twitter at @Empire_Club and visit us online www.empireclub.org. Thank you all for coming. We hope to see you again soon at one of the very exciting upcoming events that you will see advertised in the red brochures that are on your tables.

Thank you for coming. This meeting is now adjourned.

The Empire Club Presents

SAMER SALAMEH EXECUTIVE CHAIRMAN, PACIFIC FUTURE ENERGY:

BUILDING OUR FUTURE AND PROTECTING OUR COAST: WHY BUILDING THE WORLD'S GREENEST REFINERY IS THE KEY TO UNLOCKING ASIAN MARKETS

January 26, 2015

HEAD TABLE:
Distinguished Guest Speaker:
Mr. Samer Salameh, Executive Chairman, Pacific Future Energy

Guests:
Mr. Alfred Apps, counsel, Wildeboer Dellelce LLP ; Former President, Empire Club of Canada and the Liberal Party of Canada
Mr. Noble Chummar, Partner, Cassels Brock & Blackwell LLP; Past President, Empire Club of Canada
Mr. Robert Delamar, CEO, Pacific Future Energy Corporation
Mr. Dennis Fotinos, CEO, Enwave Energy Corporation
Mr. Scott McWilliams, Global Business Management Student, Centennial College
Ms. M. J. Perry, Vice President and Owner, Mr. Discount; Director, Empire Club of Canada
Ms. Verity Sylvester, Director, Teema Strategic Search; Past President, Empire Club of Canada
Mr. Doug Turnbull, Former Vice-Chair, TD Securities, Co-Chair of the

Government of Canada's Joint Task Force for the Activation of First Nations Economies, Chair of the Board of The Toronto Financial Services Alliance and Director MetroLinx

Ms. Andrea Wood, Senior Vice President, Legal Services, Telus; President, Empire Club of Canada

Welcome Address by Andrea Wood, President, Empire Club of Canada

As you all know, Canada is blessed with vast reserves of oil, but we have a problem: 97% of that oil is sold to one customer, the United States, and we are seeing declining demand and lower prices from that one customer.

Samer Salameh believes that the answer to this problem is expanding access for Canadian oil products to new markets such as Asia. He will tell us about how he plans to help to solve this problem through Pacific Future Energy. Pacific Future Energy intends to build a near net-zero carbon emissions refinery, on the coast in British Columbia.

Samer is the Executive Chair of Pacific Future Energy. In addition, he leads the telecom practice and new business development at Grupo Salinas, a large industrial conglomerate operating in 11 countries in the Americas. He managed the development and deployment of complex infrastructure projects for some of the world's leading investors, including Carlos Slim and Ricardo Salinas.

Ladies and gentlemen, please, join me in welcoming our speaker today, Samer Salameh. Samer will be pleased to answer your questions following his remarks.

Samer Salameh

Thank you, Andrea. So, good afternoon, and, thank you, for joining us today.

The first question that people ask me when we start talking about this project of ours is, “Why are you involved?” Why am I personally involved in this thing? What is a Catholic Lebanese guy, who grew up in Paris, who has spent the last 30 years as an American citizen in the US and Latin America, working and making billions of dollars for people like Carlos Slim and Ricardo Salinas, who, as you probably know, do not need additional billions, but yet I helped them make a few? What am I doing here? And why am I involved in this project, and how did it come to be? It is more anecdote before I get into the presentation.

So, this journey that ended here—or this is a step on the way—started about 31 years ago when I first came from Paris to the US. The flight—I had $200 and a one-way ticket. This is how I arrived to New York. That was in March, 1984. The plane I took from Paris could not make it all the way through; it was a charter flight, so, actually, it landed in Gander, here, in Canada, to refuel and then continue. In the refueling stop, I got off the plane, and I saw ice cream, which is something I had never had before. I was 19 years old. I spent $3 on my first ice cream, so, when I arrived in

New York, I had $197. In retrospect, I think I should have stayed in Gander and stayed in Canada, instead of taking this entire journey through New York, Mexico, Columbia, Peru, back to New York, and now back to Canada. I should have just stayed in Gander, stayed in Canada, but, hey, I am here today.

How did this project come to be? Actually, about 14 years ago, this young lawyer—I have been trying to take the law out of his mind for the last 14 years—Bob Delamar, who is my partner in this venture, started working with me in a company in Silicon Valley. I was the CEO of the company; he was one of the young people there, and we have been friends for the last 14 years. For that entire time, he has been trying to convince me to come and do something in Canada.

About 18 months ago, we were skiing in Whistler, and, of course, he picked the perfect day, not like today: Beautiful weather, sunny. And he actually told me it is like that every day. Not sure that is quite true. As I got off the plane this morning, minus –12°C was not exactly what I had in mind. But we started talking about doing something in Canada because I had come to the conclusion that this is really where—now, that I just turned 50—I want to spend the rest of my life, in Canada. There is a long story why that is the case.

But, actually, today was very funny for me, interesting, when you guys raised the glass to The Queen. That is the first time I did that and, hopefully, not the last time, as I am applying for Canadian citizenship.

But, the project came to be because we were sitting on the slopes talking to a lot of people from B.C. about the problem that Canada has and the fact that very little is being done by private enterprise to solve the problem. What is the problem? I will let the words of Finance Minister Joe Oliver summarize it. I will read it; although, I am sure you can read it on your own—this is something he said last week in the press: "It is a matter of urgent national interest that we move our oil to tidewater because our only customer, the US, has found vast amounts of shale oil and gas and will need us less and less. If we do not access new markets, our resources will be stranded, and a huge opportunity will be lost." We decided to put these words out there because this is exactly what we were discussing 18 months ago.

I was frankly surprised, as a non-Canadian, that not everybody in this country is trying to do something about this. You guys have seen what the impact of the drop of oil has done to the Alberta economy and to the general economy in the last few months just by a small drop in oil prices. Imagine if this is not a one-year or a six-month blip on the radar screen but a continuous event. Imagine what impact that has on the Canadian economy. This is exactly the problem we set out to solve a few months ago, 18 months ago.

So, we created this company. We put in our own money in it. It has been a very interesting process, and here we are today. The issue here that Minister Oliver is talking about is one of the issues, and, actually, his comment was that the supply of oil to the U.S. would decline. There was a counter-argument, immediately, that is not true: It will, actually, stay stable. Whether is stays stable or declines, that is not the issue, in my opinion, in our opinion. The issue here is somewhat different. The producers in Alberta are trying to actually double production from two million barrels a day in Alberta to four million barrels. How do you actually get to four million from two, when the consensus is either it is going to stay flat or decline? So, that is the first problem.

But, far worse than that is the second problem. Today, why are we, as Canadians—if I may put myself in the collective we—subsidizing the U.S.? Do you guys realize that in 2014 alone, in Canadian currency, $15.9 billion went from Canada to subsidize U.S. refiners? These are actual numbers. This number at the current trend of exports, by 2020, will be $24 billion. How did we get to that number? It is very simple: That graph there is actually tracking the difference, historical difference, for the last five years, between WTI prices, so Western Texas Intermediary, which is the main index in the US, and WCS, the Canadian price oil is sold at. That is a $30 price difference between what Canada sells its oil at on the international market—and international in this case means the US because guess what? Ninety-seven percent of the oil produced from this country is going to one country: It is called the U.S., so "international," in this case, is the U.S.

We have been selling at $30 below market prices one of the biggest commodities in this country to the US refiners. And who is making the dollars? The U.S., so, rising.

This is just from press releases from some of the producers Phillips, Shell, Exxon. They have just announced, even with declining oil prices, some of the best quarterly results ever, and the reason which is credited is refining profits in the U.S. from Canadian oil. This is what has been going on. Today—I checked this morning, and it might have changed by now, so do not quote me—WTI prices this morning was $45. So, if you buy it in the U.S. at CAD $45 today, the price is about $36. It is trading about $12 to $13 less, even today. This is the problem.

And this is a small summary of how that happens. You see that star there? This is Alberta's production. All the pipelines are going to one destination, which is the U.S. refiners, where again, 97% of the oil is going. And 1%–3%, depending on the quarter, actually, makes its way from the south, from Texas, to Europe, to Spain where it is refined at a margin. This is how much money is left on the table here, okay. So, we are actually able to take oil from Canada; take it through a pipeline; get it on trains; get it off of trains; get it into ships; ship it to Spain; refine it; and still make a profit. And it is only going to get worse because, as Mr.

Oliver said, the U.S. Shell production is only increasing. They are up to about 10 million barrels a day. Even with the declining oil prices right now—they are expected to be flat for a while, the production, and not increase as was expected, but it would pick up again later next year. So, they are supposed to go to 12–13 million barrels a day.

As the US is taking less and less oil, and the share of Canada's oil from that is, hopefully, staying flat, if not declining, then, where do we go from here? How do we increase production, and how do we recapture—which is the most important piece here, and that has been left to the dialogue—$24 billion a year in money, literally, left on the table? How do we recapture that? And the last point is this is not going to go away. This is a quote from Wood Mackenzie: "Where this price arbitrage has been at $30 for the last five years, it is expected to remain roughly at $18 to $25 per barrel for the foreseeable future." A big problem. I am not Canadian yet, and I am worried. You should be.

For the last six years, we have seen this battle going on where Enbridge has tried to build a pipeline because the solution is very simple. There is a part of the world where the demand for oil is actually increasing. In Europe, the demand for oil is reducing because of conservation measures they have taken, including reliance on gas, et cetera, so, Europe is not the market. And when Libya comes back online, they are going to take less and less. Going east is not going to do anything. Going north, there is the North Pole; going south, there is the US. Where are you going to go? West. Guess what? From Prince Rupert, which is at the end of that little red line there—actually, that is Kitimat. If you go straight up, that is Prince Rupert from where it is ten days to Tokyo. It is literally the closest point on the planet to Tokyo by ship—Prince Rupert. To Shanghai, it is 13 days. Asia. This is where the growth is. There is a consensus on that, so, let us step back here. Alberta has the second-largest oil reserve in the world. Asia is the only market that is growing. How do we get from point A to point B?

So, the first efforts to date has been to build a pipeline. The problem with a pipeline is the way it was done, first of all. It was done without proper consultation with First Nations. That is an issue. And, the second issue is the value proposition. We are going to take oil from Alberta, take it to the shore and ship it, so this is 220 VLCCs, 2 million–barrel ships out of Kitimat. The first thing Bob and I did when we started getting into this thing was we rented a helicopter, and we flew over it. It is a small channel. You are going to take 220 VLCCs through that, and then you are going to take it through the Hecate Strait, so when you see the end of that red line there, that is the fourth most dangerous body of water on the face of the planet. We are going to take 220 VLCCs through that and ship it to Asia where—and if, God forbid, one of those ships goes down, with that type of oil, there are arguments whether it floats or it sinks. Either way, it is really bad news. So, when you go to the local communities and say, “We are going to take this oil out of your waters and ship it to Asia, and you will get no compensation for it to speak of, and if there is a catastrophe you get to clean it up”—it is a difficult value proposition to sell. I am a good salesman, but even I could not sell that.

So, lo and behold, six years in the making, they are not going anywhere, and that pipeline is now stuck in the mud—pun intended because, again, they have not managed to catch social license. After the recent William decision by the Supreme Court, now, First Nations, actually have them blocked. The key here is they do not have social license. They did not have buy-in by the First Nations group.

If the pipeline is not the way to do it, so what do you do? So, there is our solution. We set out to build the first NZNC. What does that stand for? Near Zero Net Carbon gas emission refinery on the coast of B.C. So, the first question people asked us is *Why?* The obvious answer is, “Well, it is sitting on a train line, so whether a pipeline is built or not, we do not need a pipeline; we can feed it by train.” It is not ideal; we would prefer a pipeline as long as that pipeline goes right into our refinery. Okay, so if the pipeline is ever built, in fact this helps the pipeline discussion, because if we are able to get a refinery built, then it becomes more palatable to have the pipeline built into the refinery, and now you are shipping not crude, and certainly not the type of crude coming out of Alberta, but you are shipping refined product: Gasoline, diesel, et cetera. God forbid, should anything happen to that—within a few weeks that actually evaporates. As you saw in the BP thing, in the Gulf of Mexico, a huge amount of oil escaped, but it was light crude. Most of it actually just evaporates. This is what happened to that. So, it changes completely the matter of if there is a problem. But, most importantly, now you are able to create jobs in B.C. You are able to help the local economy, and it changes the equation totally. Now, you are able to do the right thing for the local economy, that is, create jobs and services in the local economy.

Now, the key to that is the buy-in from the social community, from the First Nations, from the environmental groups. So, how do you do that? Why is this a green refinery? The first part of it is that about 40% of the reduction in gas emission comes from the fact that we are firing the refinery with gas, natural gas, which is something very abundant in that part of B.C. Just by doing that, we are able to reduce about 40% of the gas emissions. Then, the rest of it is you are able to capture most of the gas that is emitted, and you are able to recycle it. We can get into a lot questions into how we do that—under NDAs, of course. But the key point here is that compared to a normal refinery, which let us say issues at an index of 100, this will issue 7% of the gas emissions of a normal refinery—*7%* compared to a normal refinery. Not only is this key to what we are doing in B.C. This becomes the blueprint for every refinery going forward. There are 850 refineries in the world. They represent the second-highest source of gas emissions on the face of the planet. Refineries able to do this change forever the face of refining around the world. The value of this project goes well beyond just what we are doing in B.C.

The second piece of good news is that we actually did a lot of polling, and this was before describing what we are doing and who we are and that this is a green refinery. We asked people in BC, “Do you support a refinery in B.C.? It will create jobs, value-added services at home.” The response was yes. B.C. is open for business. Even the Green MLA from B.C. is in favour of a refinery because the alternative is to ship crude, which nobody wants. So, we have support from the community, in general.

But the key thing is that we meet the five conditions set out by Premier Christy Clark. These are the five conditions that she set out, before she got elected, in terms of what has to be done for our project to be supported by B.C. We meet all five conditions and—in bold—a refinery is the only solution to meet those conditions. A refinery is the only way to make sure that B.C. receives a fair share of the fiscal and economic benefit from a project like this. We meet all the legal requirements from Aboriginal entitlement, so we will talk about that in a second. And, obviously, by shipping refined product versus crude, we reduce dramatically the impact of a spill.

The last piece of the puzzle is the First Nations. We set out a year and a half ago—even before we officially formed the company—to engage with consultation with First Nations. As you can see from the team we have assembled, our first hire after we created the company was Jeffrey Copenace. Jeffrey was the lead negotiator on the Kelowna Accord that was set up by Prime Minister Paul Martin a few years ago—one of the most recognized and trusted figure in First Nations affairs. He was the chief of staff for Shawn Atleo, who was—up to a few months ago—the National Chief of the Assembly of First Nations. We were able to attract both Jeffrey Copenace, who was the lead negotiator with First Nations, to our team, and we were blessed to have people like Shawn Atleo and Ovide Mercredi, who were both National Chiefs of the First Nations, and, obviously, people on the advisory board. I will fast forward because I am running a bit out of time.

The key thing here is that when engaged with First Nations, you have to engage them as an order of government. You have to come to them and start with not, "Hey, I'm going to do my project, and here are some trinkets," but rather, "Are you interested in a long-term, multigenerational development project that would create education and teaching, jobs for your community for generations to come? Are you interested in such a project?" And the ones who indicate they are interested are the ones with whom you engage and say, "These are the parameters of the project. Which land is mutually convenient for both parties?" It is a long-term process. You cannot fast forward those things;

they do not work on the same timeline that we normally work with in a boardroom, so, it takes time.

We have been at this for 18 months, and now we are very lucky that we are getting very close on two sides to finalize discussions, so, it is bearing fruit.

We have actually assembled a team of people on both sides of the aisle, people like Stockwell Day, Mark Marissen, Jamie Caroll. You can see the profiles on our website. Truly a unique assembly of key leaders, both at the B.C. level and at the federal level on both sides of the aisle and on the First Nations levels. And guess what? This is an amazing business. Very rarely do you get a chance to actually build, do the right thing, solve so many problems and make so much money doing so. But yet, it is.

So, if you look at the current oil prices, WTI at $45 sold in the US, in Canada $36. The first tranche of the refinery is 200,000 barrels. At that tranche, this project will create $1.7 billion a year, every year, for 75 to 100 years. That is right. I will give you an example. The refinery that is feeding B.C. today was built by Chevron in 1917. These things do not die; they go on forever—this thing that has been refueling oil in B.C. for 100 years; in fact, the last refinery built in North America, in the U.S. and Canada, was built about 40 years ago. Most refineries were built in the 1950s. This is why they produce so much gas emissions. This is why they are so unproductive, and some of them are going out of business, while the ones in the US are making huge profits because of the arbitrage with Canadian oil. So, it is a very good business.

And where are we today? Under full disclosure, we cannot talk about our financing, because we are in the middle of it. We started last Monday our roadshow. We are right now in the phase where we are raising $25 million; that would take us through the permitting process. It will also take about two years to finish the permitting—two to three years—and then we go into the actual construction of the project, which would be mainly debt. So, this is where we are today. A great project. We are very excited. We have assembled a great team, and, again, rarely do you have a chance to do something that feels so good and yet is such a good project. Thank you so much.

Questions & Answers

Q: What will the impact of the LNG be? It is going into the same area of your operations?

SS: Great question. Thank you. So, the key thing here is this is one of the reasons: 50% roughly of the savings in gas emissions is from firing the refinery with gas. So, we actually are a consumer of gas coming from the area. So, the sites we are looking at have gas pipelines going in, so we do not compete with LNG per se, but we, actually, are a customer of the gas coming in from the area into our refinery.

And we actually emit some LNG as well, so we have a small production of LNG ourselves, but it is miniscule. Most of what we do is diesel and jet fuel and gas, so no direct impact. .Some of the projects in B.C and LNG are now going through, finally. That is great. It helps the general area, and the general economy we are in, so, positive for us all around.

Q: Keystone, of course, is top of mind for many Canadians. Tell me, how will your project be affected by Keystone? Approval or disapproval?

SS: That is right. So, again, another good question. Keystone does not affect us one way or another. Roughly, it is 800,000 barrels that are scheduled to go through Keystone XL—that was six years ago. In the meantime, of course, it has found its way to the refineries, so most of that oil today is going down there anyway by train, so, if XL is approved by the time it is built, our expectation and the industry expectation is that it is not going to really increase production from Alberta; rather, it is going to reduce the cost by shifting it back from rail to a pipeline rather than actually increase production.

In any case, the other problem that Canada has is that refining capacity in the U.S. is full. Refiners in the U.S. are barely able to keep with all the oil coming in from Shell. And, now, with what is happening in Mexico over the next few years, the big issue is that, even if they are able to produce more oil, they are going to produce three to four million more barrels a day in the U.S. in the next three to four years. By the time there is expanded current capacity, they will not able to handle the volume, let alone three, four years from now when all that comes online. Long answer, but the short of it is it does not really affect us at all.

Q: Just curious: Is the near net-zero emission technology proven at production scale for refineries?

SS: Great questions. Yes, but not this way. This goes back to something I said earlier. There has not been a refinery built in the US and Canada for 40 years. Imagine if you had a 40-year-old car, what kind of technology that is compared to a Tesla today. This is the difference we are talking about between a Tesla and an Oldsmobile built in 1960 or 1970. What they have done for the last few years is they have done expansions on current refineries where the emission-capturing technology in the storage has been deployed. Firing with gas has been done, but to build a Greenfield refinery from scratch with both hands, no, that has not been done. This will be the first, and that is the key point.

There is no technology risk here; it is not like, oh, you are going to spend $11 billion, and it does not work. No, it will work. All the pieces already fit together and work, but no one has done it quite this way, ever, and this is a key point.

Once you are able to go back to the industry and say, "Hey, the second-highest producing industry in the world in gas emissions—7% of global carbon emissions in the world is from refining, and we reduced that by 90%," guess what? It puts a lot of pressure worldwide to do this, and that probably has more impact on global gas emissions, carbon emissions, than anything else being done in the world today—our little project. Again, this is why this is a feel-good project. When you come into our office at five o'clock in the morning, we are not there, but we are connected on Skype, and we are talking to each other. It is a vibrant place because rarely do you get so excited about something you are doing.

Q: With regards to the oil that is coming from the oil

sands, how would the carbon emissions affect how its carbon components with other extractions be less carbon effective with the extraction part?

SS: We are not in the producing phase, so our point is that oil is being produced today, anyway, but, certainly, if you take it end to end, from extraction to refining, my guess is it would actually way more than make up for it compared to traditional producing—way more. Incidentally, when you look at electric cars, if the electric car is filled up from your house outlet and your electric producer is generating electricity from a coal-powered plant, that electric car is producing as much carbon emissions as a regular petrol car, so, we have to look at the entire value chain, and your point if very well taken. So, we certainly reduce the impact of the oil sands emissions, for sure. And we actually hope that what we are doing moves upstream to the production and started using that as well. But, let us stick with the battle we have at hand right now. But, it certainly has a big impact, yes.

Q: How do you see the governments of Alberta and B.C. resolving their economic-sharing issues?

SS: I certainly would not pretend to address that on their behalf, but I think what we have seen with Premier Prentice in the last few months are improvements in discussions. And the key thing here is a project like this addresses the five conditions, so, by definition, our project, hopefully, will eliminate the core issue. But, again, I do not want to address issues at the government level. But, I think this will help the discussion greatly.

Q: Would you be able to capture that discount from a refinery in Canada?

SS: We hope so. The economics of our business are not contingent on their discount, but it is here to stay for a while. So, as long as it stays, it simply makes our economics so much better. The economics I mentioned before, $1.7 billion, that includes some of that, but even if that goes away, it is still a very profitable business. But, unfortunately, we do not see that discount going away because 200,000 barrels a day is a very small quantity to change the scales right now. But we do hope to go to one million barrels.

If everything goes well, then based on the demand on the other side of the Pacific, if we get the full million barrels, then that will certainly start shifting that, reducing the margin for sure, the arbitrage.

Q: If the facility costs in the hundreds of billions to build and can produce value in billions, how come no one else has done it before you?

SS: I wish I had the answer to that. It cost $11 billion, so this is not for the faint of heart, okay. This is something that has taken us decades of experience to actually take on. But, we will pay back the $11 billion in less than ten years. This is a hugely profitable business, and it solves a fundamental problem, one that is glaring, one that is not—it is not like we have uncovered something that nobody else sees. Everybody has been talking about this forever. These profit margins from the U.S., everybody knows about them. The disparity between WCS and WTI is there. This is public data. I wish we could say we are such amazing visionaries that we found something that nobody else before us found. Everybody sees the problem, but we decided to do something about it.

Why has no one else done something about it before? I do not know. That is a good question. People get scared sometimes, and you know what? There is something about us. We do not get scared. We do not worry about failure because we actually believe that this is how you learn. And, before you get to a point where you can do something like this, you have to do a lot of mistakes before you get here. One mistake: I did not get off the plane 30 years ago in Gander, but, since then I have done a few, but this is where we are today.

Q: **How long is the expansion of the market? You are looking only for Asian. How about Latin America, for example, and Brazil? Do you have any views about expansion in another market—or only in Asia?**

SS: You mean to sell the end product into Brazil?

Q: Yes, or in South America.

SS: No, we do not see Brazil or Latin America as a national market for us because one of the key points of where we are is this one of the closest geographic points on the planet to Asia—ten to Tokyo, 13 to Shanghai. Once you go from Prince Rupert down to Brazil, it is a long way to go, so we lose the entire value advantage from a shipping perspective. But, another very interesting market for us could be the U.S. But, that is not a part of our business plan. Our business plan is focused on Asia. We are already seeing a lot of interest, actually, to shipping some of the product down to the U.S., so that could happen, especially, as the U.S. is getting into a shortage of refining. The interesting thing that is happening in the U.S. dynamics is now they are increasing their production dramatically. Refining is not able to keep up with it, and the type of crude they are issuing from the U.S. is light crude. We do heavy crude from Alberta, so I will not get into the impact of that here, but there is a mismatch between what is being produced and the demand. There is potentially a big demand in the U.S., but that would be the icing on the cake. That would be just even better for our margins, if it happens. But, no, Brazil or Mexico. What is happening now with the changes in the law last year is good for Mexico, and I think that will equilibrate the supply and demand of refined product in Mexico.

Let us see what happens in Venezuela. That is a very big question, about what happens there for the next few years. Brazil, I think, is too far away, but, I might be wrong.

Q: Is there a fatal flaw or a problem with actually just building a refinery at the source in Alberta?

SS: Great question. We have actually done a lot of data on that, and what we have found—and this is based on evidence that we have found in the ground—is if you build the same refinery, it will cost us $11 billion in B.C.; it will cost probably $15 to 16 billion and add another year or two of construction to build it in Alberta. The reason for that is threefold:

A) There is a huge labour shortage in Alberta, so you will not even get the labour if you want it, and this is one of the reasons why most of the operating projects that happen in Alberta for the last few years have gone into over-budgeting and have run two, three years over their production, construction timeline. So, you do not have the labour to build it in Alberta.

B) The key thing what we are doing here is we are actually building the refinery in huge modules. Imagine, if you will, a very big LEGO set. You are building it in Asia. We are in discussion with a few manufacturers today, and then you take it by boat to shore, and you take it right off the boat, and you barge it up, if you have to, a few kilometers, and you assemble it. That is how you save money on CapEx, and this is what happened in Alberta. To do the same project in Alberta, you have to take it probably into the U.S.—take it through roads, where these things do not fit so that reduces the volume of your pieces; take it through Indiana; take it up through Alberta. By the time you do that, you added two, three years of time, and you reduced your kinds of scale because your modules are smaller. It has been proven that it is not the optimal way to do it, all the way around.

Besides, this is an export facility, so when you do a refinery, you are close to the source or to the market. We are close to the market, ten days by boat to Tokyo. That is considered very close, so this is an export refinery built basically on water, so you can save a huge amount on CapEx and on deployment cost. This is why we will not do it in Alberta.

Q: I am from China, and you just mentioned Shanghai, so I have a question: Oil is controlled by the state-owned company in China, so would entry to a Chinese market reduce the oil price?

SS: Do you mean whether entry into a Chinese market would reduce the oil price in China?

Q: Yes. Is it possible?

SS: No. The volume we are talking about here is a drop in the bucket for the Chinese market. I do not know the number—maybe, Bob Delamar, do you know how much the daily refining in China is?

BD: Yes, two million barrels per day of refined product. So, we are only 10%.

SS: So, no, we are too small to change the dynamics in China. Hopefully, one day. That is something to aspire to, but not today. We are too small.

BD: What is the most interesting thing that you have discovered about Canada since your time here, besides your wonderful friends?

SS: We have been colleagues for 14 years, so one of the things I have been trying to beat out of him for 14 years is being a lawyer and becoming more of a businessman. I am almost there, almost there. And one of the things he keeps correcting me on is I keep saying "I" versus "we," so he keeps telling me, "You cannot say 'I' in Canada; it's a 'we' society." Eventually, in a few years, I will get there. I am working on it.

But it is a very different—you know, it is shocking. I am a U.S. citizen; I have been working in the U.S. for 20 years, 30 years. God, I have just aged myself. In any case, it is really surprising—and you guys know this—that when you go over the 49th parallel to get into Canada, the business ethics on how things are done changes so dramatically, and this was surprising to me. So, it is very exciting to be here.

Thank you so much.

Note of Appreciation by Alfred Apps, Counsel, Wildeboer Dellelce LLP; Former President, Liberal Party of Canada; Past President, Empire Club of Canada

The Empire Club has been around for a long time, and it is kind of a precious little institution. I can say that because I am a past president of the Club, but, they actually call these thank you remarks the appreciation. I think it is interesting just looking at the last couple of weeks and watching the State of the Union address and the robust recovery of the American economy and the panic that has descended on Canadian markets because of the crisis in oil markets, the Bank of Canada, et cetera. It seems to me that the appreciation that is appropriate is an appreciation for another great idea that takes Canada from what we have so often been, and described ourselves as "hewers of wood," "drawers of water"—more lately, "chippers of mineral and stone," and "pumpers of crude" or "sifters of crude," I guess in terms of the oil sands, and to come up with a big idea that is, at one level, so self-evidently exciting and, at another level, once you dig deep and do the diligence, you understand that refining crude has maintained its margins even when the prices have fluctuated wildly.

So, I think that the appreciation I want to express is the appreciation to you for being here today and in a town that is anything but an oil and gas town—appreciation to the team for the vision. You said earlier, you know, it is an obvious idea, but I think the vision is more about the how. It is about how you are doing this relative to First Nations communities, environmental issues, the Green Party, et cetera. I think the how is where you are showing some real leadership, and the appreciation, on behalf of all of us, is because these are the things that are ultimately transformative and good for our quality of life and good for the country, so, thank you very much.

Concluding Remarks by Andrea Wood

Thanks, Alfred. I would like to extend a few thank you's as well. I would like to thank our very generous sponsors, Wildeboer Dellelce for sponsoring our event today. Thank you, Enwave Energy Corporation, for sponsoring our VIP reception, and Braxted Group Inc., for sponsoring our student table this afternoon. I would also like to thank the *National Post* as our print media sponsor. This meeting will be broadcast on Rogers TV.

And you can follow us on Twitter at @Empire_Club, and visit us online at www.empireclub.org.

Thank you all for coming. I appreciate that you are joining us today. Please, come again soon. There is a brochure on all of your tables describing some of the exciting upcoming events. We look forward to seeing you again. This meeting is now adjourned.

Thank you.

The Empire Club Presents

THE HONOURABLE DR. ERIC HOSKINS ONTARIO MINISTER OF HEALTH AND LONG TERM CARE:

THE NEXT PHASE OF ONTARIO'S ACTION PLAN FOR HEATLH CARE

February 2, 2015

HEAD TABLE:
Distinguished Guest Speaker:
The Honourable Dr. Eric Hoskins, Ontario Minister of Health and Long Term Care

Guests:
Ms. Tina Arvanitis, Vice President, Government Relations and Communications, Ontario Energy Association; Director, Empire Club of Canada
Ms. Martha R. Huston, President, Cardinal Health Canada
Mr. Ed Jamieson, CEO, Medical Pharmacies Group Limited
Dr. Peter Nord, Co-Chair, Rehabilitative Care Alliance of Ontario; Chief Medical Officer, Providence Healthcare
Ms. M. J. Perry, Vice President and Owner, Mr. Discount; Director, Empire Club of Canada
Mr. Michael Peters, Senior Director, Public Policy and Business Development, Cardinal Health Canada
Mr. Tim Smitheman, Manager, Government and Public Relations, Samsung Renewable Energy Inc; Director, Empire Club of Canada
Ms. Andrea Wood, Senior Vice President, Legal Services, TELUS; President, Empire Club of Canada

Welcome Address by Andrea Wood, President, Empire Club of Canada

I have a question for you. How many of you would think “politician” if I were to describe somebody to you using these words: ‘Humanitarian’, ‘Rhodes Scholar’, ‘physician’, ‘world traveler’? Or how about these words? ‘Compassionate’, ‘charitable’, ‘thoughtful’? Not many I would expect. But these words, ultimately, describe Dr. Eric Hoskins, Ontario’s Minister for Health and Long Term Care. Minister Hoskins’s path to politics was an unconventional one after having completed his PhD in public health and epidemiology.

At Oxford, Minister Hoskins spent nearly a decade as a doctor in war-torn regions in Africa and around the world. He served as a senior advisor to then Foreign Minister Lloyd Axworthy, on issues such as human rights, child soldiers, peacekeeping and the landmines ban. And he founded War Child Canada, which aims to help children in war-affected regions. All of this before he turned his attention to provincial politics.

Minister Hoskins was first elected in 2009 as MPP for the Toronto riding of St. Paul’s and he has held increasingly significant cabinet portfolios. Prior to becoming Minister of Health and Long Term Care, he was Minister of Children and Youth Services, Minister of Citizenship and Immigration, and Minister of Economic Development, Trade and

Employment. Although this was not the traditional path to professional politics, Minister Hoskins's background makes him almost uniquely qualified to manage the critically important Health Care portfolio for our province.

Today, Minister Hoskins will describe his vision for our healthcare over the next three years. He will tell us how the Ontario government plans to build on past successes to continue to transform the healthcare system in this province. Please, join me in welcoming, Minister Eric Hoskins.

Eric Hoskins

Good afternoon, everyone, and Andrea. It is wonderful to be here with the Empire Club. It is wonderful. I had many of my ministry staff show up here at lunch today because we were all worried, quite frankly, that nobody would be able to make it in because of the snow storm. But I want to acknowledge Bob Bell, my deputy, who is here as well as a number of other individuals who represent the ministry so well.

I am honoured to stand before you today, as I know we are working for a common cause, and it is a cause that I am deeply committed to along with our Premier Kathleen Wynne and the Ontario Liberal Party. And I want to thank you for coming today and for your unwavering commitment to improving health care for Ontarians.

Ladies and gentlemen, we have come a long way together.

Health care is undeniably one of the most important issues facing our government and facing all of us as Ontarians. The stakes are high. Without exaggeration, the decisions that many of us make in the course of our work have life-and-death consequences, and it is a cause that I have been championing, like many of you, my entire professional career.

You might conclude that my knowledge of health care stems from medical school, but, to be honest, that is not really where I learned about health, about what it takes to promote and maintain healthy communities because healthcare is not simply the application of anatomy and physiology and biochemistry and pharmacology. These, as we know, are only one piece of the puzzle and, in general and speaking from experience, the piece that is easiest to negotiate when it comes to medicine. And you can take my word on that. But, of course, we all know that health is not just about science, nor is it just about the clinical setting. It is about the convergence of policy and demographics and economics and ethics and even, in some cases, politics—not party politics, though there can be a little of that, too, but about the values that we share as a society. And it is also about history and globalization and even education. But, above all, health and healthcare, is about people. It is about protecting and promoting the rights of people—to support our wellbeing and, in difficult times, to ease our pain. So, we are all in this room in a very complicated yet paradoxically simple business: We are in the business of being human.

I did not always think of health or healthcare or even my role as a doctor and public health practitioner in these terms, but my perspective quickly changed shortly after graduating from McMaster's medical school. I moved my medical textbooks into the basement of my parents' home in Simcoe, grabbed my stethoscope and went halfway around the world to Khartoum, Sudan. I was young and seemingly invincible and probably even a little too self-assured, like many new docs. I arrived in Sudan ready to save lives. Well, Sudan changed my life instead.

While I busied myself with humanitarian work and healthcare, my officemate in the faculty of medicine, a gentle, Sudanese man named Mohammad, worked diligently to train legions of young Sudanese doctors to respond to their country's ongoing health crisis: Epidemics, malnutrition, a high maternal mortality rate and a life expectancy that hovered around 42 years of age—which, to provide added context, is far younger than anyone serving in the provincial legislature right now, with, of course, the exception of Yasir Naqvi. Mohammad and I would work side by side on two, metal fold-out tables and plastic chairs—often working in the dark with no electricity and the temperature climbing to 45◦C.

We never talked politics. He was a quiet, dedicated man, who often shared his breakfast with me—a Sudanese bean stew. Doctors in Sudan were not known for their political engagement. Very few spoke publicly; in fact, during an uprising and military coup that had preceded my arrival, doctors had actually been maligned as a group for staying silent even as the bodies piled higher in the streets. That coup, tragically, turned out to be the precursor to an even more bloody and terrifying one.

About a year after my arrival in Sudan, there would be more political upheaval—this time installing the government of Omar al-Bashir, who, it should be noted, now stands indicted by the International Criminal Court for war crimes in connection with the more recent war in Darfur. But this time the doctors did not stay silent. Mohammad and his colleagues at the doctor's union spoke loudly and critically of the abuses they were witnessing, of the threats to civilian life and the misery which ensued.

And then, one day, Mohammad stopped showing up to our sweltering concrete block with his bean stew. After a few days, I went to visit his family thinking, perhaps, he had been stricken with malaria, a disease which had left me bedridden only a few months prior. But, when I got there, I learned that Mohammad was not ill; he was missing. And a few days later his body would be delivered to his wife and young children. He was covered in burns and bruises. And all of his fingernails had been pulled out. He is not the only doctor and human rights activist I have known whose life was cut violently short simply for striving to keep people alive and safe from harm.

Health and human rights are indivisible. Who we are and what we stand for as a democracy, as a society that values human life, that believes in dignity and respect for all—these are essential not only to health but to the healthcare sector as a whole. Notions of equity and access and universality are not just lofty ideals that make for raucous political speeches. These are principles worth striving for and defending with every measure of our being because our lives really do depend on it. So the question then is not whether the system is unsustainable or whether universal healthcare is unattainable or whether two-tiered alternatives are viable. These presume that principles of universality, equity, access and healthcare can be measured in degrees, that such rights are relative. And that is not a vision for healthcare that I can support nor that this government supports; instead, we have to approach the challenges facing healthcare from a different vantage point, which is that if we believe in such rights to health and healthcare, as we do, then the questions we really should be asking ourselves are *How do we ensure universality? How do we improve access? And what does it take to deliver the highest quality of care?*

Every decision I have made and will make as Minister of Health is centered on such considerations. Yes, there are economic and demographic realities, and we will not hide from them: Our population is ageing, and our financial resources are finite. But these are challenges that we can manage together with determination and some ingenuity. It is simply a matter of choices, choices that must be rooted in evidence and experience, choices that put patients first because doing a better job in healthcare means understanding and predicting the needs of Ontarians and supporting models that best serve them. It is not in fact about those of us in this room. It is about what we do for them, and we can never forget this.

So, with this in mind, some of you may be asking what my plans for healthcare in this province are. Well, I would like to spend a few minutes sharing these priorities with you—our priorities as a government because I am not someone who believes in tinkering around the margins. I believe that we have a tremendous opportunity in this province to lead, to demonstrate a bold vision for delivering universal healthcare that will, above all, improve patient outcomes and make the best use of our financial resources.

The first action plan for healthcare by Minister Deb Matthews is a commitment to be "obsessively patient centered." Patients first. Our new action plan builds on that commitment and recognizes that the health system belongs to patients, to Ontarians and, therefore, this plan is for them—it is shaped by their experiences and seeks to empower them, so let us start where patients want to start: With access.

If we want our system to serve each patient, we need fast, timely, and responsive care, which also means redefining access from the patient's perspective. So what might that redefinition look like? Well, for starters, we should be proud that 94% of Ontarians have a primary care provider—two million more than did a decade ago. But 6% still do not, and timely access to both primary care and specialists remains a challenge. We need a front door to a medical system that is open 24/7. And that front door should be a dynamic primary care system with team-based integrated and coordinated care leveraging the skills of more healthcare providers and with fewer unattached patients. That is how we can truly put the needs of patients first. And so I welcome the work of David Price, Elizabeth Baker and the members of the Expert Advisory Panel on Primary Care who are pointing the way to primary care reform.

We need to ensure that our healthcare workers are able to put their skills and training to good use by continuing to expand their scopes of practice. And we need to look past the traditional confines through which we have provided care because the technology to do so is already out there. And it reminds me of a joke—a very telling one I think—that I heard during a briefing by a respected leader in hospital-based care: In the 1990s, the only people who used pagers were doctors and drug dealers. Well, the drug dealers have moved on. We do not even have to go looking for the innovations needed to change this because we use them in every other aspect of our lives. Imagine: A parent takes her young child with an unusual rash to her family doctor, who is not certain of the diagnosis. Instead of waiting eight weeks for a consult with all the associated discomfort and anxiety for parent and child, the family doctor can send a digital photo to a dermatologist and know the management plan often before the family leaves the office. We can do that now. The reality is these benefits are possible when we put patients first.

And more, one of the greatest challenges right now facing our healthcare system when it comes to access concerns individuals in need of mental health and addictions services—not only acute care but longer term care and supports that revolve around the patient. That is why we are making targeted investments like the $138,000,000 over the next three years to shift more mental health services into the community—timely, effective and responsive ongoing care and support that treats patients as people and breaks down the barriers that those struggling with mental illness and addictions too often face.

We have already made significant progress on mental health by working together. For the first three years, our strategy has focused on mental health supports for children and youth. Almost 800 additional mental health workers are now providing services for children and youth in our communities, in our schools, in our courts. And our Tele-Mental Health services are providing nearly 3,000 psychiatric consults this year alone to benefit children and youth in rural, remote and underserved communities. To build on that success, we have asked Susan Pigott, a leader in the field, to chair the province's Mental Health and Addictions Leadership Advisory Council, and I look forward to working with them and with all of you to implement the next phase of this strategy.

All of us in this room know that the burden of disease is shifting profoundly—from infectious disease and emergencies to more chronic conditions associated with the demographic changes taking place across this province and around the world, so an effective and efficient healthcare system must be forward-looking. The needs of Ontarians are evolving and our sector must continue to evolve along with them to predict rather than react so that our interventions are smart and targeted and effective.

And, along the same lines, we need to recognize that access to healthcare also depends on connectivity. I have already mentioned connectivity in the context of new technologies and the opportunities we have to provide patients with faster and more holistic support. But there are other ways in which connectivity may be strengthened to achieve integrated and coordinated patient care; for example, in the home and community care sector. The current experience of our loved ones in this sector as we know from the feedback we have received from thousands of individuals and families is uneven and disjointed. And I know that our caregivers feel that every single day.

Let us consider in the first instance the needs of our seniors. Understandably, more of them want to remain in their homes for as long as possible. This is not only better for them but for the healthcare system as well. But, to achieve this, they will need more flexible, reliable and affordable community and home care supports. We also need rigorous standards of care to keep them safe, and we need to be monitoring our progress every step of the way so that we can be confident that patients are getting the quality services that they deserve. That is why we are working closely with Gail Donner, the chair of our Home and Community Task Force, to help us expand the current capacity, modernize delivery and improve the patient, family, and caregiver experience. Home and community care is right for transformation, and I am committed to seeing it through.

It is this same patient-centered approach when it comes to the management of high-risk patients, which lay the foundation for Health Links. Due to a fragmented primary care system and gaps in the continuity of care, we know that 5% of our population consumes as much as two-thirds of our healthcare costs. This is where Health Links has the opportunity to be a catalyst not just for cost savings, but for better quality of care and a cornerstone in our primary care system by connecting patients to community-based care. Health Links means connecting an 82-year-old patient with congestive heart failure who does not speak any English with a CCAC care coordinator and a translator to develop a care plan that will keep him out of the emergency room. It means connecting a 33-year-old patient with adequate housing and ensuring that her psychiatrist, family doctor and social worker are all in one room when she explains what is important to her. These are the stories that cut past the numbers and help those who have been falling through the cracks in our healthcare system. And we now have 69 Health Links across Ontario making good inroads to bridging healthcare with housing and education and our justice system so we can get at the social and economic conditions that have an enormous impact on our health and well-being, the so-called social determinants of health.

And I know just how important this is from personal experience. For many years, I worked here in Toronto as a doctor providing care to refugees, immigrants and inner city patients—their health issues were complex but so, too, were their circumstances. But nowhere, perhaps, are these challenges greater than in our Aboriginal communities, where the key to success is so often found within the communities themselves, if we could only realize that and respect them as valued and equal partners. But medicine can only go so far in addressing the health risks that Ontarians face each and every day. As we all know, penicillin cannot cure poverty and homelessness, but, by connecting patients to resources and those resources to one another, we are better able to support them.

And, of course, if we want more of our system to perform as a unit, we have to change the way we pay for care. That means moving away from the current piecemeal approach of fee for service and, instead, aligning incentives around the patient's journey rather than provider activity. And there is good evidence for such payment reform in health economics textbooks, but what does this look like in action? And what does it feel like for the patient?

One excellent example of this evidence in action comes from St. Joseph's Healthcare centre in Hamilton, where I once did part of my own medical training. St. Joe's—thanks to the leadership of Kevin Smith and his team—has been a real leader in what is known as 'bundled care'. Well, how exactly? Well, you can ask patients like Ilene, who is here with us today, who knows far better than I do. But to me, it starts with wrapping care around the patient. Instead of having a patient actively seek out every single aspect of her care independently, we can make sure that all of the necessary providers from surgeons, to nurses, physiotherapists and personal support workers are all provided together and paid together as one bundled price to be integral parts of Eileen's full care pathway, from her pre-surgical assessment to the operating room to her home care.

And the results are real: For bundled procedures, like hip and knee replacements, returns to the emergency department after surgery dropped by over 30%. Referrals to rehab went down by over 40%. And there were marked improvements in patient satisfaction. Real innovations in healthcare funding models such as the St. Joe's experience happen when we adopt an evidence-based approach to patient care so as to prioritize programs and interventions that deliver the highest standards of care.

And that is one of the reasons why we are working with Health Quality Ontario, to be a leader on this front. We need to be better able to measure the outcomes that matter to patients, so how are we doing this? And, perhaps, most importantly, how do patients think we are doing? Knowing the answer to these questions is the only way we can add real value to our system and make maximum use of our healthcare dollars—accessible, connected with patients as the drivers. *This* is how we will build a more efficient and effective healthcare system—a healthcare system that rewards value over volume, one that is capable of adapting as patients' needs change. In the same way, as we evolve to become more accountable to patients, and that must include involving patients at every point in the decision-making process at every level. We also need to take the necessary steps to be more transparent so that patients can make informed choices about their healthcare. Ontarians have a right to know and control, for example, what they are putting into their bodies. By preserving and creating healthier choices for all Ontarians, my colleague associate minister Dipika Damerla will continue to implement Smoke-free Ontario and our Healthy Kids Strategy. We will also work to ensure that calorie postings are front and centre on menus in Ontario restaurants.

But, in addition to having more control over what they are eating, and the air that they are breathing, Ontarians also have the right to make the best possible decisions when it comes to their own care. That means creating a culture of openness alongside an unwavering commitment to patient privacy because transparency, when used appropriately and responsibly, is one of the greatest tools at our disposal for enhancing performance and patient safety. Today, Ontario hospitals are publically reporting on more quality indicators than ever before. Patients deserve to have access to this information. Quite simply, patients ought to know how their hospital or provider is performing when it comes to their care. And we routinely access this kind of information when we make decisions about which car to buy or where to eat: How is it rated? What were other peoples' experiences? Healthcare should be no different, especially, because the stakes are so much higher.

Putting patients first means ensuring that they have access to the information they need to make decisions around their care. No one should be left in the dark about whether a clinic they are using has been cited for infection control violations or has a higher-than-average complication rate. The default in our health system should be disclosure not discretion. We need to keep asking ourselves *If we were to redesign our healthcare system, what are the things a patient should absolutely know?* How can we harness data to better protect our patients so that patients not only drive performance but so that all patients are benefitting from the medical advances in our healthcare system. This should be every patient's right, and I am working to ensure that our policies here in Ontario bring us closer to this goal.

Now, you will love hearing this line: As I begin to wrap up because I am sure you are all getting hungry. I want to take a moment to reflect on one of my most important responsibilities as health minister, which is protecting our universal healthcare system for generations to come because it is a system worth upholding and worth defending. Good health is the bedrock on which social progress is built—that was the opening line to Minister Marc Lalonde's trailblazing report, "A New Perspective on the Health of Canadians," over 40 years ago. We have come a long way, but there is still more work to be done because, in the same way that no one should ever lose their home to pay for time spent in an ICU, Ontarians should never be forced to choose between buying food or paying for medication. Ladies and gentlemen, national Pharmacare is a missing link in our universal healthcare system, especially, for Ontario's working core. And so that is why we are working with other provinces and territories to build on the pan-Canadian Pharmaceutical Alliance and working with the federal government.

I am encouraged, as Ontario will be taking a leading role in hosting this initiative. I was not aware how much you guys wanted to talk about drugs, so the economic rationale is that, by strategically leveraging our combined purchasing power, we can help deliver better health outcomes and generate savings right across our system. The evidence is clear. And it is by coming together as one purchaser, like many of our peer countries do, that we stand to save billions of dollars while also ensuring that Ontarians who need essential drugs have them. We are the only country in the western industrialized world that has universal healthcare but has no national Pharmacare program. And we do not have to choose between bending our cost curve and putting patients first. Both are possible, but it means being willing to challenge the status quo to find ways to better serve patients by strengthening community-based care, improving transparency and accountability, and developing evidence-based models that will tell us whether what we are doing is working. And we cannot be afraid to try new things and diverge from old ways if what we are doing is not working or is not in the patients' best interests.

Now, I know that all of you here today share this passion for making healthcare better, and I am grateful to all of you in this room for the job that you do each and every day. I know that it is not easy; mine, too, is not without its complications. On some days, world peace seems like a more achievable goal. But it is a privilege that I refuse to lose sight of because we have an opportunity here, together, to revolutionize healthcare in this province in ways that will better serve Ontarians in the months and years ahead.

And so I want to conclude as I started, with a personal note: I often think about Mohammad and the many other healthcare workers and humanitarians whom I have had the privilege of knowing over the years and who were killed while striving to keep their communities safe from violence and harm. It is what drove me to enter politics, to actively contribute to our democracy, to help build a just and fair society. But these experiences have also, perhaps, given me a different perspective on the challenges facing our healthcare sector. None are insurmountable. We all know what is at stake, but this vision will not succeed unless all of you, too, are on board, so let us begin this new action plan, Patients First. Together. It begins today. I sincerely hope you will join me in this effort, and I thank you for being here this afternoon.

Thank you.

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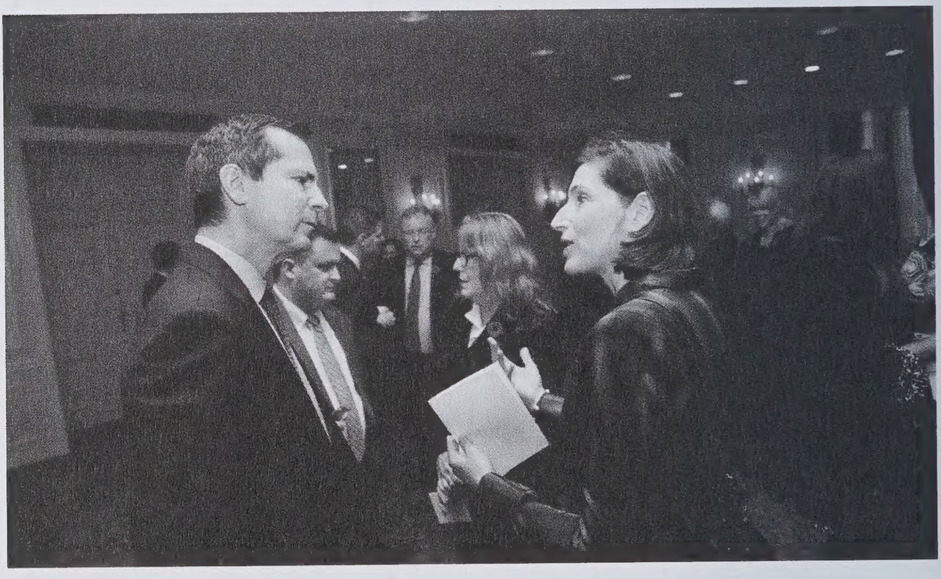
President Andrea Wood delivering welcoming remarks to Mayor Naheed Nenshi of Calgary.



President Andrea Wood and Former Premier of Ontario Dalton McGuinty.

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Toronto Mayor John Tory signing the iconic Empire Club Guest Book along side President Andrea Wood.

President Andrea Wood with her esteemed head table guests for the "How Google Works" event featuring Eric Schmidt, Jonathan Rosenberg and Amanda Lang.

CIBC President and CEO Victor Dodig, sharing a laugh with President Andrea Wood during their Q&A session.

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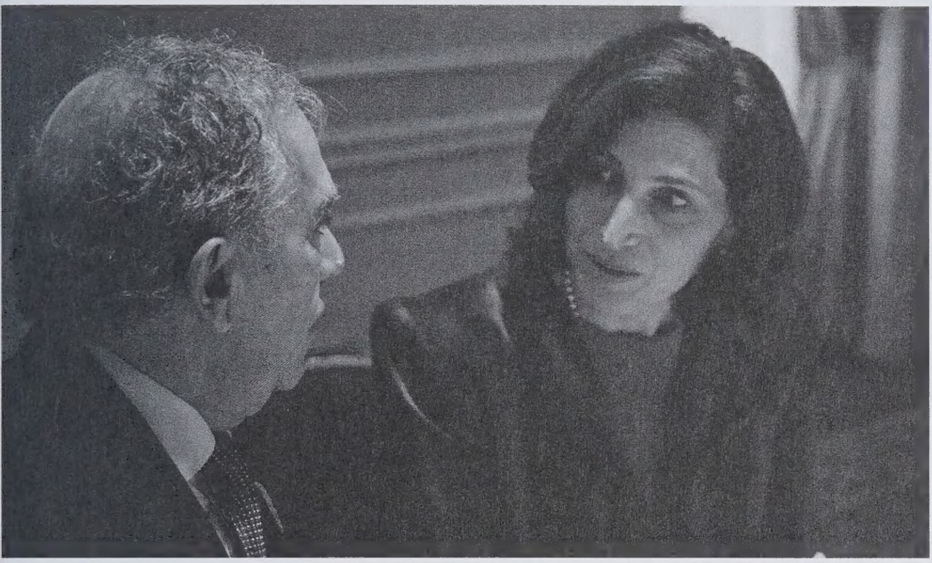
President Andrea Wood and Ed Clark, TD Bank CEO, with their head table guests.



President Andrea Wood with Canadian politician Greg Sorbara signing the guest book.

CEO of Porter Airlines, Robert Deluce, with President Andrea Wood and their head table guests.

Note of Appreciation by Sean Kelly, Vice President, External Relations and Health Policy, BD Canada

Hi, everybody. I think before we walked in the Minister was asking "What do you think the turn out will be with the weather? Will we be impacted?" and one of the speculation points was 75%. But, clearly, it is a sold-out event, and we knew it was a sold event. I think everybody is here, so, Minister, I think that is a good sign of the commitment, the interest and commitment of the group to understand your vision. So, thank you, for sharing the "Patients First" vision for the action plan for healthcare in Ontario. I know everybody here will do their best to support that.

Thank you.

Concluding Remarks by Andrea Wood

Please, bear with me as we conduct one final piece of business before lunch. I will now present our door prize of a one-year membership to the Empire Club of Canada, and I will draw from business cards without looking. Our winner today is Anika Christie, Manager of Communications for Grosso McCarthy. Congratulations, Anika! Please, see Jehan after.

Before you eat, I would like to thank our generous sponsors, Cardinal Health Canada for sponsoring our event today and BD Canada for sponsoring our VIP reception. I would also like to thank the *National Post* as our print media sponsor. This meeting will be broadcast on Rogers TV.

You can follow us on Twitter at @Empire_Club and visit us online at www.empireclub.org.

Thank you all for coming. Please, join us again soon, and lunch will now be served. Thank you.

The Empire Club Presents

ANTHONY LACAVERA IN CONVERSATION WITH AMANDA LANG:

THE INTERNET OF THINGS AND THE FUTURE OF CANADA'S TELECOM INDUSTRY

February 5, 2015

HEAD TABLE:

Distinguished Guest Speaker:

Mr. Anthony Lacavera, Chairman & CEO, Globalive Group and WIND Mobile

Guests:

Ms. Amanda Lang, Senior Business Correspondent, CBC News & Host of The *Lang and O'Leary Exchange*

Dr. Gordon McIvor, Executive Director, National Executive Forum on Public Property; Director, Empire Club of Canada

Mr. Lou Natale, Vice President of Sales, Nokia Networks and Solutions; Director, Empire Club of Canada

Ms. M. J. Perry, Vice President and Owner, Mr. Discount; Director, Empire Club of Canada

Mr. Brice Scheschuk, Co-Founder, WIND Mobile; Co-Founder, Director & CFO, Globalive Communications; CFO, Pragmatic Conferencing

Mr. Demi Russo, President, Nokia Canada

Ms. Andrea Wood, Senior Vice President, Legal Services, TELUS; President, Empire Club of Canada

Welcome Address by Dr. Gordon McIvor, President-Elect, Empire Club of Canada

Our speaker today is a true entrepreneur, what in other times would have been referred to as a 'Renaissance Man'. While the focus of many of his business activities has been the telecom industry, his interests are wide ranging and passionate. While the inventor of the telephone may not have understood the technology that Mr. Lacavera excels at, Alexander Graham Bell would have recognized in Tony Lacavera a kindred spirit, a businessman with vision, dedication, commitment and an almost inexhaustible well of focused energy.

Not surprising that he is very often placed on all manner of achievement lists from being named Canada's CEO of the Year in 2010 by the *Globe and Mail's Report on Business*, to one of the 50 Most Influential Torontonians by *Toronto Life* magazine in 2013. That same year, he was welcomed into the University of Toronto's Engineering Hall of Distinction, a special honour for a former grad of that institution.

Mr. Lacavera founded Globalive in 1998 and co-founded WIND ten years later—that up-and-coming telecom that many investors strongly believe will continue to give Bell, Rogers and TELUS a true run for their money. As to Globalive, it has, in the past 15 years, founded, seeded, financed, operated and divested a number of companies in the internet communications and technology sectors. Not surprisingly, Mr. Lacavera supports other entrepreneurs and has proven time and time again that giving back to the society that was good to you inevitably is a win-win situation. The SHAMBA Foundation that he founded eight years ago regularly raises hundreds of thousands of dollars for a variety of social and charitable causes.

Now, we could not think of a better person to interview Mr. Lacavera than the journalist who many believe is our best business commentator in the country, Amanda Lang. Whether we watch her on *The National* or on her own highly successful television show, her vast knowledge of the business and those who excel at it is undeniably the reason she has become one of CBC's most successful on-air personalities. We are very fortunate to have them together today.

Ladies and gentlemen, would you, please, join me in welcoming to the Empire Club of Canada, Tony Lacavera and Amanda Lang.

Anthony Lacavera & Amanda Lang

AL: Thank you so much for that kind introduction, Gordon. And it is great to be here. I have interviewed Tony many times, as you might imagine, over the course of the last few years. I was trying to remember when I would have first interviewed you, but—

TL: Seven years ago, yes.

AL: Seven years ago, so when you were nine.

TL: Yes. Eight years ago, maybe.

AL: I want to get a little bit to the story because not everybody will know the story, and you might be tired of it, but we are not. But, Gordon referred to something, which is you do have a kind of a boundless energy. You have needed it in the last few years with WIND and some regulatory hurdles and going right back to when you thought, "I'm going to make my own business," which, increasingly, young people are inclined to do. What was it about that experience that kept your energy levels for it high and still do? You still have high energy for it—I guess this is a personal question to start—but what is it about you that says "Yes, I am going to keep my optimism up?"

TL: You know, Amanda, I think, for me, I guess I am good at tuning out things that I do not want to hear. That is good and bad, so, I am really good at picking a direction, and, for me, no matter how many people tell me—and in the case of WIND, hundreds, if not thousands of people told me—"You're crazy; it's never going to work," I just completely tune it out. And it is a path that I want to go down, and so, I am able to not lose focus or lose energy because I can just keep going in that direction.

The bad news in that, though, is that I can sometimes have a hard time listening to people, like Mr. Lockie, sitting here in front of me, who often have really good advice. So, I have to balance it because I have to make sure that I do not get myself too far off track by not listening.

AL: How many companies have you built? If you had to sort of count?

TL: So, I mean, many of them have failed completely.

AL: Yes? Congratulations.

TL: So, the ones that are—yes—still around—we have started I am going to say about a dozen companies within the Globalive Group. Seven or eight of them would be still great going concerns. WIND is, of course, the largest. We have sold a number of companies that we started that we just felt it was the time to exit, but it has always generally been in the Canadian telecommunications space. I have for my entire career, at this point, believed that a key pillar to a competitive economy to Canada's global competitiveness is cost-effective telecommunications for all Canadians. I just think that and, increasingly so, it has become as important as electricity, as important as highways for the success of our country.

AL: It is now a basic human right in Estonia.

TL: Yes, that is right.

AL: Internet access. I want to just point out to the folks here that we want your questions, and we are happy to make this as conversational and about what you want to know as possible. I will prod you as we go along, but there are people with microphones in the room. When you talk about kind of competition in wireless, I think I am right in saying that you got into that space and conceived of this mobile company before the government sort of took it on as sort of a cause that it would champion. Am I right about that—that you were really taking on some big incumbents without any kind of sort of regulatory help?

TL: Definitely, so for the first eight years of Globalive's history, we competed rather below the radar, and we were sort of a cute little competitor to the big guys.

AL: Yes.

TL: And in 2006, we acquired a company called Yak Communications, and that really kind of brought us sort of into the purview of the big guys and sort of put us on that path to, really, ultimately, make a very big infrastructure investment and find the backing to do that, which we were successful doing, so that we could have our own network and our own infrastructure instead of constantly relying on a regulatory regime to allow us to access the Bell infrastructure, for example. So, that was a big pivot in our history where we really decided that we were large enough that we really needed to find a significant investment partner that could really help us build our infrastructure. And that is what we have today.

AL: And how hard was that to find that partner, to get that investment because you were young; the company was young. It was bad odds? What was that like?

TL: You know, very similar to the start of the conversation. People ask me all the time how do I go about, you know, raising capital for my own business, and I support a lot of the accelerators around the Toronto community and the incubators and so on and talk to young entrepreneurs all the time, and it is very similar to how I started the conversation: Raising capital is really just about ignoring all the noise around you and just believing in what you are doing and just, you know, again, taking input where you need to, but believing in what you are doing and just moving ahead *with it relentlessly*. And I cannot stress that enough. Even today, with the track record that I have and that we have at Globalive and WIND, every day, we get told, "There is no way you are going to be able to do that. There is no way you are going to be able to do that; it is not going to happen; that is not going to happen; that is not going to happen." So, you know, you basically have to just tune that out and move ahead.

AL: One of the things that happened along the way for you on the capital side was that you had investors, and the climate around that became complicated and political and changed.

TL: That is the nicest way I have ever heard it said.

AL: Right? I am trying to be a little careful here, but, well, then I do not know if you have ever heard O'Leary describe it, but…

TL: I have. I have been there!

AL: Probably closer to your interior monologue.

TL: Yes. Well, no, he has come after me about it.

AL: Because he blamed you for that, which is—

TL: Yes.

AL: —sort of unfair. Let us say that.

TL: Thank you.

AL: But, just describe that process because it was a—I mean, I am sure most people are somewhat familiar with the story, but what was that like?

TL: Okay, so, when we started WIND, the capital to build the infrastructure to start WIND was, you know, over $1 billion necessary, really secured—not prospective capital or not availability of capital; it really needed to be committed in order to actually build entirely our own wireless network. And I could not find that money domestically in Canada—not even anywhere close to what was needed to really make a go of it. And so, we started to search abroad, and we were successful at securing a major investment from, initially, an Egyptian-based company.

And then we got into all sorts of regulatory and legal trouble that you are very familiar with, and, for everyone's benefit here, it was, really, in many ways, legal and regulatory challenges that went on throughout the history of WIND up until actually four months ago. So, for the entire history of WIND, it has had a number of life-threatening moments between regulatory and legal challenges, mostly surrounding the incumbents successfully lobbying a regulator that more competition is not needed, that Canadians are actually pretty happy with their wireless service and that we should not provide any preferential regulatory conditions for competition to materialize. So, while the incumbents did that, we ended up into a great deal of difficulty, as you know. They were partially successful in convincing the regulator—well, initially, they were entirely successful. We were blocked from launching in November of 2009.

AL: Yes.

TL: That was an incredible moment where we had invested about $800 million. We had about 700 people hired at WIND, and we had stores built, the network built and ready to launch and then the CRTC rejected our operating application or our license, and we were not able to—

AL: For reasons of the ownership structure.

TL: For reasons that we had brought all this capital into the country, foreign capital, that I could not find domestically in order to build a real competitor of the big guys.

AL: I interviewed Mr. Sawiris right around that time. I cannot remember how soon after. You will remember, he was in the country, and, boy, he was mad. I mean, he was—

TL: It is one of my—

AL: He is probably still mad about that whole—for me, it was a real kind of indicator of how complex this industry is because, not just our country, but every country has very strange kind of relationships and regulatory laws around telecoms, and I think they are getting worse, not better. Actually, we will talk about that, but what was that like? What was it like dealing with a big investor like that who was your lifeline and being kind of powerless to change the thing that was driving him bananas?

TL: The thing that got us through that period was, I think looking back, was that, first of all, here was someone with a risk profile. I knew in order to be successful in wireless in Canada, not only did we need all that capital, we also needed an investor group with a risk profile to really look beyond short-term challenges, no matter how big they are. And also, Mr. Sawiris—who is the investor that Amanda was talking about who gave us that first big boost into WIND of a big injection of capital into WIND—could look beyond the near-term regulatory issues and look at the really, the long-term opportunities, so he and I had a real excellent meeting of the minds and formed a great partnership, actually, over that, because I am completely unaffected, you know, completely, largely unaffected by, you know, setbacks like that.

You know, as much as inside I must be frustrated and upset, I am able to, as I said, not lose focus. So, that was what got us through that period. It was his ability to look beyond, the investor group's ability to look beyond short-term issues.

AL: You talk about how difficult it is to raise capital in Canada. And that is not, obviously, an unfamiliar story at certain levels of the process, certainly, at an early stage. I think angel is tough, sort of pre-A—pre-series A is tough in Canada. I think we would all agree on that. Just given your experience—and this is not a political question—does it behoove us to think about the world as our capital base as a result? I mean, do we need to be a little less, I guess parochial about where money comes from?

TL: I could not agree more with that, and I tell young entrepreneurs that all the time that you need to not restrict yourself to Canada when you think about capital. The marketplace today is global; the internet and many, many new businesses are the marketplace; it is by definition global. Why would you be thinking about the VCs in the Toronto market or the VCs in the Montréal or Vancouver market? Why would you not be thinking about, you know, capital from any place you can find it? And what I have found is there is a big world out there, and we lose sight of that sitting in Toronto, which feels like a big city to us. This is a very small city with limited capital for early-stage companies. If you put all the big cities in the world together, there is a lot of early-stage capital available and a lot of growth capital available and a lot of investors that want to invest in a great place like Canada.

I mean, there are a lot of great things to be said about investing in Canada, you know, despite the regulatory legal challenges we have had. You have a stable government, a basic thing that we, that investors take for granted. But people investing in India or people investing in China do not have the benefit of a necessarily stable government, you know—consistent rule of law and enforcement of law and property rights and those types of things that we just take for granted. So, I love it here. It has definitely been a fun road, an adventure, and we now have a very solid business in Globalive and in WIND Mobile, and we will pass one million customers this year at WIND, which is a huge milestone in our industry.

And, you know, from here, we will continue to grow. And, to me, I am excited about the future, so I do want to talk a little bit about the future today of wireless, where I see the world going. And it is an extremely exciting moment in the history of humanity, I believe, where in our lifetime, we are going to see every device, every object, everything we interact with become part of a connected society. And no one really knows where that is going to go, but the Internet of Things becoming the Internet of Everything is an amazing topic, an accelerating direction that our society is taking, which leads me to the conclusion that I believe that wireless networks are as important as electricity or as roads, as water, as infrastructure is to the success of our country and the growth of the global economy.

So, it is a big—and I am thrilled to be part of that. I feel privileged to be part of it, and, for Canada, I want to make a big contribution to that.

AL: So, from that point of view, the infrastructure is still as relevant as ever. Sometimes it can feel as though we are operating on two tracks, where the old regulatory environment is sort of looking backwards, and this new technology is just being enabled so quickly.

TL: I think infrastructure is more important in telecommunications than ever. I think that, you know, when you think about what the modern highway is, the modern highway is a fiber connection between Toronto and Vancouver. You know, 100 years ago, it was the Canadian Pacific Railway that let this country, you know, enter a new economic era. Connectivity of our citizens with fiber and with wireless networks is now this next great wave of economic and social welfare, if I can say that, social welfare progression.

AL: And I guess I do want to ask whether you think the fight for the fourth carrier is over. Is it won? Has that agenda settled?

TL: You know, I am the eternal optimist, so I think I declared victory with you five years ago.

AL: You did, yes. I may have been less enthusiastic about that point of view, but…

TL: I have been watching all the interviews where you said that you may have started this company when you were 11, and I got it from you again today.

AL: Sorry. You are very youthful looking, Tony; it is not my fault.

TL: Okay.

AL: But you are, I mean, the big goal here was four players. There are still three huge incumbents, and they are more threatened. In some ways, their businesses are more threatened by the things you have just mentioned.

TL: Yes, they are.

AL: More so than they have ever been.

TL: Yes, that is right.

AL: So, they are not likely to be feeling warm and generous about—

TL: No.

AL: —profit margin erosion.

TL: No, and I think that the legacy networks, the legacy terrestrial networks, cable, copper—those are going to come under fundamental threat in the next three, five, ten years as wireless becomes faster and better, and it is already ubiquitous, but, beyond, it will be in everyone's hands, and everyone will have a connected device. You are not going to connect your refrigerator or your car to a terrestrial network, right. You are going to connect it to a wireless network. You are going to connect your thermostat to a wireless network. So, I think when you think about the Internet of Things and every connected device and every Canadian having 20 or 30 or 50 or 100 connected appliances, devices, things in their life, wireless becomes the medium to do that, and fast wireless networks become increasingly important. So, yes, incumbents are definitely under threat.

To answer your question about, you know, the fourth. The fourth carrier battle is never going to be over. It is great for Canadian consumers and Canadian businesses that there is a viable competitor. We are in Ontario, B.C. and Alberta, and, where we operate, prices have come down 20%. That is kind of a near-term benefit. A long-term benefit is that there is more infrastructure investment in wireless networks that will lead us to a 5G world with, you know, a very fast internet everywhere and the Internet of Everything. So, I think that is really good when you think about it that way, but, yes, I do not expect the fight to be over with the big guys. And, as long as I can wake up, I am going to get up, put the suit on and keep swinging and…

AL: The vision that you are offering makes the spectrum auction, makes the spectrum that is available even more valuable.

TL: Yes, increasingly. So, Spectrum is the real estate of our business, and we bought a certain amount in 2008, and there has been follow on auctions. There is an auction coming up next month, and, obviously, more wireless spectrum is needed to continue to increase the speed of wireless networks and increase, you know, the coverage of networks as well.

AL: Do we have the technology on our networks in Canada to do what you are picturing when we talk about Internet of Things and everything connected? Do we need another upgrade?

TL: I think with all things, you have three large players that dominate the market that do not want evolution to happen too fast, that have a natural, I guess inertia there. And it really comes from the investment levels in the legacy networks that have been made. So, there has been an enormous investment by Rogers and Shaw in cable. There has been an enormous investment by the telephone companies in each province—Bell in Ontario—in copper and in fiber, now, to the home, fiber to the home. So, you definitely are going to have a long tail on that, if you will, but I think what we are here to do is help accelerate innovation in our country, accelerate that change and be a driving force behind that change. That is what we are here to do. That is what WIND is about. We are about driving and accelerating change innovation for the benefit of Canadian consumers and business and, obviously, we want to do that profitably.

And so, I am pleased to say that we have got to that critical mass now where, you know, we have to still service our customers well. We have to show up every day, and our customers can go across the street to our larger competitor anytime. There are no contracts; there are no commitments with us, so we have to earn your business every day. But we have got enough critical mass of customers, enough Canadians on board today such that, you know, now, it is a viable business. Now, it is about how do we drive change in the country to a positive effect?

AL: I want to talk to you about the security piece of the equation—and I am going to backtrack a little bit—but it is hugely important as we get into that kind of future view of connectedness.

TL: Certainly.

AL: You had a front row seat to some of those security concerns. I mean, I do not think many of us identified

Orascom as a sort of geopolitical security concern, but maybe they were, given what happened with MTS Allstream. We certainly know, now, because of the NSA and CSAC, there is concern about who runs the network, what equipment is on the network—and, again, you know that very firsthand. Are those legitimate concerns? Are we overreacting to this? You know that Huawei equipment might become embedded with listening devices that the Chinese are—? Are we overeating?

TL: I do not think we can overreact. I think we have to be extraordinarily diligent and, again, I will use the word relentlessly: We have to relentlessly tackle emerging cyber threats, and cyber threats are particularly dangerous because you do not see them; you cannot feel them, and they mutate really fast. They can come very quickly from a different direction that you were not expecting very quickly.

So, I think, at the federal level and throughout all provincial and municipal governments as well, but, starting at the federal level, we need to be, as Canadians, thinking about the need to allocate a lot more resources to protecting our country from cyber threats. I think we are underfunded, and I think it could not have enough focus. So, I do not want to be an alarmist because I think that, at the same time, I do not believe that there is a systematic—I mean, there are a lot of accusations and allegations out there. Enemies or threats to Canada that we would have from a military perspective probably exist or do exist in the cyber world as well, and we have just got to be very diligent.

AL: Where do you think the responsibility lies because we have not quite cracked that from a policy point of view? So far individual companies are expected to manage cyber security. Is that the right approach, or do we need to elevate it to a kind of a more national level?

TL: I think it has to be on the minds of every Canadian; it is not at just a business level. I think we, as individuals, have to think about this, and there are lots of things we can do to protect our own security online. What does scare me is how willing 8-, 10-, 15-year-old Canadians are to put their entire lives online with no security whatsoever. It is a cultural thing and millennial thing that we have to tackle.

So, there has to be a mindset that a lot of people are going to use that information to yours and the country's detriment, and you are giving it to them as easily as you are giving it to your friend across the street or whatever. It is a social change has to happen very quickly in my view. I do not see it happening, though. So, again, it goes into funding education. Education has to play a significant role right from grade one.

Right now, we have to be talking to people, grade one kids, about what the threats there are to them and what they should do to protect themselves. They know not to cross the street without holding their mom's hand; they know not to play in the schoolyard with so-and-so, but they do not know that, when they go on the internet, something bad can happen.

AL: That and there is a kind of a built-in contradiction, of course, in the world that we want to inhabit, which is we want this world where our fridge tells us when the milk is out and, for that matter, orders it from the grocery store and has it delivered without us even being involved, but we do not want our kids to be so connected and open that they put everything they do up on Instagram or whatever is cool these days. Are those not kind of contradictory?

TL: I think so. I do not have the answer how to navigate that. That is a needle we have to thread. Of course, we have to navigate carefully, but we are not going to stop it now. I mean, Instagram is part of people's lives; Facebook is part of people's lives. So, I think, in our case, going back to WIND for a sec, we were pioneers in many respects in that we brought Chinese infrastructure equipment to Canada, and that has been an ongoing challenge, and it was compounded for us when we had the investment from, originally from the Egyptian group, but also then from a Russian group.

And when things got very negative between Canada and Russia, last year, in particular, we were in deep trouble. I think that was a layer that was beyond our control and ran into geopolitical problems that almost killed WIND, actually. We were able to power through that. And we are big customers of Nokia as well—and growing customers of Nokia. There are solutions out there. In the case of Nokia, for an example, our sponsors stay. There are alternates that are there. We did not anticipate in any way, shape or form how difficult it would be to have investors from abroad, and when you put the Ukraine situation and Crimea on top of it, it just became untenable. So, I do not think that that should shy Canadians away from raising capital abroad.

AL: Right.

TL: I think it was a perfect storm of problems for us.

AL: And there is at least one book in your Russian experience in you. I suspect you are working through all of that.

TL: Yes, I have had some fun in Russia, for sure, with a challenge. I mean, their perspective is that they have invested a lot of money and that now their assets are being threatened by stuff that is out of their control. Their view would be that Canada is supposed to be a safe place to invest: "We should not be getting the kind of scrutiny we are getting." There are arguments on both sides, for sure. It is not a clear path.

AL: It is funny because when the Huawei situation was kind of blowing up in Canada, I interviewed the guy who runs the Chinese investment council here, and he said, "We had no idea that this was possible, that your servers could spy on you. We run Cisco servers. Is Cisco spying on us?" I was really disingenuous, I have to say. Do you assume, just from where you sit, because you kind of have a weird responsibility as the head of a company like yours and yet no control over it—which is an awkward combination—that this kind of listening and watching happens on your networks? Do you assume that it will happen? I mean, we know more and more every day about what governments are doing and those are the good actors, so who knows what everybody else is doing.

TL: So, I lean probably pretty conservative on this topic in that I am all for monitoring that leads to increased national security. So, I, obviously, value my privacy, and I control what I put online for that reason. But, as a citizen and a taxpayer, I would lean towards the view that it is a good thing that our government is talking about how they can cooperate globally with allies to make sure that threats are mitigated, that the risk is reduced. Because, why? Stability in our economy leads to prosperity for everyone in Canada, and, if there is not stability, unfortunately, a bad event can be so disruptive and create so much volatility and so much uncertainty as we all saw over the last, well, in New York in 9/11, and we have seen it since then. There is such a crazy negative reaction, and I think that is an overreaction, but that is just the way people are. We cannot afford that risk; we need that stability to be there, so I would be an advocate, generally, of respecting people's privacy, of defining the laws the way we need to. And we need to spend time talking about that as a nation, but then, once we do it, let us listen and pay attention where we need to.

AL: When you talk about this future, connected future, Internet of Things, you are not a guy who just talks about things because you think it is interesting. I am assuming you are investing, that you are beginning to think and—

TL: I am a huge believer, yes, that the dream is that everything will be connected. The future is that, and a fast wireless network, great wireless infrastructure that we are building will help bring us into that place in a faster, more efficient way. And I think it is pretty exciting to think about where it could go. I think we are good at thinking about the near-term opportunities are if it is a connected home and connected car. There are a lot of technologies already in the marketplace like that.

Wearables are obviously emerging quickly and it is pretty exciting to think that you can have a wearable that monitors your health and monitors tons of inputs about your health and be more predictive, or, instead of being more reactive, you can anticipate so much more and be so much more in front of your potential health risks, health concerns. Those personal security opportunities when clothing and devices are all connected, I think, are pretty amazing—and to think about what can happen in the relatively near term with technologies that are out there today. It is not a pipe dream about what might happen. Way down the road, I think in a 5G world, you can just see that the entire world being wireless, and you can see every citizen having 50, 100 connected appliances, connected devices and getting real utility out of those. That is the dream, right?

AL: And where do you see Canada playing in that? Obviously, we are playing a little bit. I have interviewed some of the companies myself, but you think of sort of the places that tend to be out front in this. Are we in the game?

TL: As I said, I think that it is fortunate we have challengers to the incumbent operators on the ground in every region of the country because, I think, that we, as the challengers, help spur that innovation, and I think that while an incumbent will be thinking *How do I protect the existing businesses that I have? How do I make* *sure that those don't erode too quickly?* we can just think about how we grow into this new world as fast as possible. So, our structure and our position in the marketplace lets us play a leadership role in that, and we will play a leadership role. So, I would say Canada is in line with other countries as far as I can tell, which is really that, well, I mean, other than Japan, which is clearly—or, you know, there is an amazing case study in South Korea in the City of Songdo, where the entire city is already entirely connected. Songdo is an amazing experiment where every appliance is connected, every road is connected, every traffic light is integrated with the smart grid, and, I mean, talking about now how they can optimize fuel consumption by being a lot more smart about when lights change or they do not change and controlling traffic flow a lot better, controlling electricity flow a lot better. Amazing, actually. So, if anyone is interested, Songdo is a great thing to read up on.

AL: Do the people seem happy?

TL: I do not know. Actually, that is a great question. I tried to research that, actually, and I could not find—I mean, I do not speak Korean, so I had a hard time reading. I could not really read anything; I got quickly into languages I did not understand.

AL: Do we have any questions out here? We have got a microphone there, and I think a microphone back here.

Yes?

Q: With Tony's entrepreneurial background, of course, and your exposure to the business, what would you offer as recommendation or advice to students today, in business? Because one of the things that I have been told a number of times by my children, more than once, is, "Thanks for paying for school—really love it, but frankly, school's teaching us things that aren't aligned with where the world is going." And that is always a disconnect. So, what would you say to them?

AL: Oh, no, you are much closer to that one.

TL: You have a kid; I do not.

AL: Well, my son is ten, so, no, I mean, okay, I will take it while you collect your thoughts, because, actually, you have got real-world experience for them. I do think, I mean, increasingly, your experience is going to be the one that young people can actually be empowered to have, which is I can make something for myself; I can make a business for myself because the ability to build a business that capitalizes on something somebody else has done is so much better, right, the kind of peripheral businesses, if you will.

The biggest thing I think we need to do is to stay hungry. This whole question of kind of thinking of the world as our source of capital and the world as our market. I think this is a generation that thinks that way, anyway, because of the level of connectedness, but that would be my message is not to, while staying as Canadian as you want and as you deserve to be, because it is a great place—

TL: I would say that. I would say spend some time outside of Canada. I would make it part of your life to spend some work time, entrepreneurial time even outside of Canada, and get a perspective on not necessarily America; it can be in Europe; it can be anywhere. Some of the biggest growth opportunities are in Asia, and I think getting a broader view of what is out there, as I said earlier. The world is a huge place, and we lose sight of that in Toronto. I mean, we lose sight of that between here and Pearson Airport. You have got to get to Pearson, and get out and see what is out there.

AL: The other thing I would add is not to believe the headline gloom. It is really easy, but I could go back and pull headlines from 1790 saying that this generation is going to have the bleakest future—1910. There are periods in history where we kind of collectively say our children are screwed. It is never true, and it is not true because you do not want it to be, so let us be gloomy and pessimistic for the moment, but our kids should not be.

Q: Amanda and Tony, excellent discussion. I would be interested, Tony, in your thoughts on two things. Number one, who do you think does this competitive

practice of telecommunications well, what country? And two, my recollection is what beat you—and I do not feel like you are beat—what challenged you the most besides the foreign investment, was the ads from your competitors that said he does not care about our community in New Brunswick. And you said in Ontario and Québec, which we care about, and B.C., that you are aligned; you are perfect for us, but, you know, that national network—it does take time. So, in retrospect, how do you overcome that criticism, and who does get it right?

TL: So, an early goal we had was to be a fourth national carrier, and we got into a great deal of regulatory trouble, as you know, and that slowed our deployment and changed our business plan. So, midway through 2010 and in early 2011 when it was clear that we were just getting behind and other competitors had launched in those markets, we completely changed our business plan to focus on Ontario, B.C. and Alberta, and that has been what we have been focused on and what we have been saying we are focused on since then. Fortunately, in markets like in New Brunswick, another competitor Eastlink, in that example, has emerged as a challenger to Aliant, the challenger to Rogers, so there is that competitive dynamic in that marketplace as well which, again, will spur innovation. And adoption of Internet of Things will happen faster because there is that competitive dynamic in the marketplace.

By the way, the best benefit of a competitor like us being in the marketplace is that incumbents move faster themselves, right? Everybody benefits, whether you are a WIND customer here today or not, which I hope some people are. If not, give us a shot, but even if you are not, you are getting a better level of service, and you are getting more innovation out of your carrier faster because there is a competitive presence in the marketplace. So, that is what I would say about that one is that we changed our plan, and maybe we did not do a great job of trumpeting that, but there is a competitor in New Brunswick.

What was your other question?

AL: What country does get it right in terms of real competition?

TL: Look, I think I have to say America, as much as we can be critical of the United States on a lot of fronts. It has actually got to the point now where the wireless industry in the United States is similar to the airline industry, in my opinion, where they are on a treadmill of just having to invest more and more capital and getting less for it, and it is spiraling into the ground right now.

AL: Hopefully, not the same bankruptcy treadmill as the airlines.

TL: Hopefully not. I think it would be tough to bankrupt

Verizon or AT&T, but the competitors are on that treadmill. You look at sentiment online from U.S. internet users—20-year-olds, 25-year-olds complaining just incessantly about how slow and crappy AT&T is or Verizon is. It can just never be good enough now, and they want more for less. The competitors T Mobile and Sprint are trying to provide more for less, and all four of them are having to invest capital—like, got to buy that next big airplane, got to buy that next big thing to keep that customer. You have got to be able to charge them less, so, structurally, in the United States, I think the industry is not sustainable, but there is an enormous amount of innovation in wireless in the United States because it is cheap for everyone to get pretty much unlimited use, and you have got four in every market, some of the markets five, six carriers. You have got a choice that is a very cost-effective choice.

I think it is the strongest argument that bringing a fourth carrier to the Canadian market makes sense, but it has to be managed in a way that is actually sustainable. So, I would say the U.S. right now has it right and has the best, most competitive environment. Japan is very competitive, too, but it is so competitive in the United States, and the industry has been structured in a way that actually we might actually have a formula in Canada. We might say in five years that, amazingly, the Canadian government, after a long road that got me some grey hair and cost him the rest of his hair, we actually may have got it right in Canada.

AL: I think we might have time for one quick question if there is another question. Yes?

Q: Thanks. So, Demetrio from Nokia. I am Italian, so I do not know how quick I can be, especially, with the microphone in my hands. So, thanks first of all for being here. It is an honour for Nokia to sponsor this event. I took some notes, and so, you said it is an exciting moment, definitely. So, I think for us in the industry, it is one of the best times.

You have been touching on very interesting points, like the regulatory challenges, the competitiveness that is in the market, and you say, for example, that AT&T Wireless has to offer more for less, right. My question to you is how do you see new players in this market? You say we connect things to internet and that it is equal. I connect everything to a cloud, right? So, cloud means you will have new players like Google for example, now they have a project to put the best stations on the balloon, right. So, they have the biggest data centre in the world. So, they will challenge the OTT. Okay, so how do you see the role of the OTT in this new world, which is there, right?

And you are right: The States is now driving the

innovation, so Silicon Valley is where everything is happening. With some of the people from my team, we have been there already two times in the last three weeks, and it is amazing, so it is there, right. Google and Nokia—I think it is out now: We are partnering together, so Google will run a 3 ½—so they will host; they will share the net, the radio network. They have already brought the challenge to AT&T and Verizon, right, so they will become a strong player. So, how can the OTT differentiate themselves and become not just a pipe, okay, because then we will not talk about the fourth operator, but to eleven or five, six, seven whatever?

TL: I do think there is a real prospect that that is the direction the Canadian market goes, which is a direction where there are carriers that are providing major connectivity for providers like Google. And I think that there is an opportunity for us in that as well, but I think that that is really far out. I mean, when you look at the relationship that Google developed with T Mobile and Sprint, there is no doubt that they have the resources to steamroll into the wireless market in a retail or commercial basis in a model similar to what is out there today. I do not think they are going to do that at all. I think it is all about cloud computing. It is all about providing a fat pipe, if you will, to the home over wireless and doing that in a way that lets

Google deliver all of its OTT, all of its applications to consumers without having any reliance on AT&T or Verizon. I think that is the strategy.

I think that we have a similar opportunity in Canada, as WIND, again, because we are not encumbered by the legacy of infrastructure of cable or copper, and we are building a wireless infrastructure. We can, potentially, be a partner for a company like Google because we are prepared to only look at the future, only look at how we get the fat pipe to the home. And we will only look at how we can really be an alternative to terrestrial networks because we are not encumbered by that legacy. So, I think that it is an opportunity for us, and we are not scared about Google coming to Canada. We think that would be a great thing.

AL: I know you changed your strategy. We are out of time, but is there a time in WIND's future and is part of the plan that it is a full national footprint—every province?

TL: I would say, so I am 40 now. I started this company when I was 24. I started WIND, I guess, when I was around 33, 34, and I am not going to stop. I will keep going until I am 90. Where it goes from here is—there are 50 or 60 years ahead. Hopefully, health permitting, I am going to continue to bring more competitive choice to the Canadian telecom market.

AL: Well, I will count myself among the Canadians who are looking forward to seeing what it is you do bring.

Please, join me in thanking Tony Lacavera.

TL: Thank you.

Note of Appreciation by Lou Natale, Vice President, Sales, Nokia Networks and Solutions; Director, Empire Club of Canada

Thank you very much for your attention. I think it was fantastic. Another hand for Amanda and Tony. I guess I would like to thank Tony for coming here for a couple of reasons: One is for inspiring us all because, as you have heard, against all odds, he has gone through a few of those as he has told you. And Amanda, of course, for her clear understanding of the business environment here. So, thank you for a very, very interesting and engaging day.

And to the students there and everybody here, I hope that you listened to the story about never giving up and going forward. But, a couple of things. Tony came all the way from Toronto to be here, and it was not far, but, thank God, that Brice and Simon got him here on time at the right place. And Amanda was almost not going to be here, so we were a little concerned, and then we got notice that she was. So, she has been to New York on a ferry and on a plane to be here. So, thank you very much for that.

I thought long and hard about what I would say about Tony because he is well known, famous—sometimes an infamous personality—and Amanda, too. I asked myself what I could actually say of interest, but I hope what I am about to say makes some sense. I wrote it today. It was clear.

I asked myself if Tony is an entrepreneur, and he is an engineering grad from the U of T—actually David Naylor, the former President of the University of Toronto, congratulated him, thinks very highly of him and worked with him. So, he started Globalive a few years ago, as he has told you and what happened after that? As I turn my page, I will tell you. Not content with great successes, he decided he wanted to become a wireless player in his country.

So, I come from Italy. When I was a little boy, off the boat, so I am bit in limbo or a bit like purgatory because I am Canadian, and I love the country and what it did to many, many, many people, and it is a stable country we take for granted. The other part is that we are a very polite bunch, are we not? But, we really do not—I do not know if we are socialist, communist, democrats. I do not know. It is an interesting country.

So, he wanted to become a wireless player. I thought I would get that out. As we all know, Tony is a shy, introverted kind of guy as you can tell. He realized that he needed a boat load of cash to get this thing off the ground, and he kind of looked around Toronto, and thought, "Hmm, ain't going to happen here." So, what did he do? He decided there was a guy by the name of Naguib Sawiris in Cairo who had lots of cash—Weather Investments and a big player, so he though "What do I do?" So, he decided to go to Cairo and ask Naguib for $750 million or $1 billion more or less and, obviously he got it, so he is here.

So, what happens when you do that? He started WIND five years ago. He has been, as he has told you, fighting obstacles day after day after day. These are public record, public facts of record, I should say. They paid $422 million for a license. So, when you pay someone $422 million, you think, "Okay, I am assuming you are going to let me play." No, no, but thanks for the cash. We are not going to let you play. So, that was an interesting one. Then CRTC decided to actually stop the—sorry it is either the corporate structure of the company was not appropriate enough for the Canadian world, so they said you cannot launch, as you were told, and it was a lot of money, so you had gotten $1 billion ready to go and then stopped. So, cabinet reversed the decision. Then that was not enough. WIND and the federal government became co-defendants in court to win this.

So, never one to give up, where is WIND today, and what have they brought to Canada? This is not a commercial about WIND, but this is just in terms of this spirit of Canada and what we should be doing. So, they have put in about $1.5 billion in investments. That is a lot of cash. They created 5,000 jobs. They have contributed about $5 million in charitable donations to the community in sponsorships. They have generated about $1.1 billion worth of cash or revenues since the inception. The moral of the story is some would say or call him crazy or a dreamer, and/or they might say, "That kid is too young; how can he compete against me? I am the guy."

So, unfortunately, things change, and thank God for people like Tony. He is an inspiration to the youth of the country to dream the impossible. Thank God for people like Tony. As I have told you before, this is not a commercial for my son, but the Ryerson students wanted to come here to actually listen because reading it in a book and watching it and—where is Thomas? He is a professor of international business and is also on our board of directors, and he will tell you that there is a difference when you actually listen to the person who actually went through it, so it is a great inspiration.

As you know, 80% of Canada business or our backbone—80%—is small business, quite interesting. We also rank somewhere between 13–16 OECD competitiveness innovation, so our Assistant Deputy Minister, Anthony, Tony La Mantia, was here, and he will tell you that that is a concern, and we should do better. And despite the fact that we have a rich, western society, education—things that people in other parts of the world would crawl over glass, anything, to have this much—and we do not seem to be able to get it off the ground. I do not know if that is just complacency or not having enough Lacaveras in town.

Anyway, he has contributed time and money to many university entrepreneurship programs. He believes it. He was also the first patron, I think, an investor in The Next 36. Look it up on the web. It is very cool. He started Shamba. Why? Well, it is an organization to help other charities who do not have the capabilities or the smarts, if you will, to try and generate cash; he is a member of the Italian Canadian Chamber of Commerce, boards and he was also here not long ago with Amar Varma another entrepreneur in Canada, John Ruffolo and Mike Eppel talking about where is the real venture capital community in Canada.

So, last thing I would leave you with is I would remember a couple of things: TELUS started as a small company in Ajax, Ontario, called Clearnet. George Cope was the President, you know, the guy who is the President of Bell now. Rogers started as Cantel, a small organization of people a few years ago. I remember Ted Rogers saying in one of the meetings, "You know, I hate monopolies until I own one." Fido started as Microcell, now a Rogers company. So, thank you to Tony for never giving up and inspiring a new generation and being a role model, especially, to people like my kids of his age because, clearly, it will be their world. Thank you both.

Concluding Remarks by Dr. Gordon McIvor

Thanks very much, Lou. And, lastly, thank you very much to our generous sponsors, especially, Nokia for sponsoring our event today. And it has been delightful to have Mr. Russo with us. Thank you for being here. And to Pragmatic Conferencing for sponsoring our VIP reception. Thank you, BMO Nesbitt Burns, for sponsoring our student table this afternoon.

I would also like to thank the *National Post,* which is our print media sponsor and, of course, Rogers, which is our broadcast sponsor. This event will be re-broadcast many times over the coming days and weeks across the country.

Please, follow us on Twitter at @Empire_Club and visit us online at www.empireclub.org. Thank you all for coming, and, lastly, please, join us next week when we will have the President and CEO of Royal LePage, Phil Soper, who will talk about that eternal, interesting question to all Torontonians, particularly, *When is that real estate bubble going to burst?* So, thank you once again for coming, and this meeting is now adjourned.

Thank you.

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February 11, 2015

HEAD TABLE:

Distinguished Guest Speaker:

Mr. Phil Soper, President & CEO, Royal LePage & Brookfield Real Estate Services

Guests:

Ms. Sheila Botting, Partner & Canadian Real Estate Leader, Deloitte
Mr. Ciro DeCiantis, Partner & Toronto Real Estate Leader, Deloitte
Mr. Spencer Enright, President & CEO, Brookfield Real Estate Services Manager Limited
Ms. Maryjane Martin, President, Canadian Public Relations Society (Toronto)
Mr. Bruce McCuaig, President & CEO, Metrolinx; Director, Empire Club of Canada
Dr. Gordon McIvor, Executive Director, National Executive Forum on Public Property; Director, Empire Club of Canada
Ms. M. J. Perry, Vice President and Owner, Mr. Discount; Director, Empire Club of Canada

Welcome Address by Dr. Gordon McIvor, Executive Director, National Executive Forum on Public Property; Director, Empire Club of Canada

Our guest speaker today is extremely well-positioned to speak on the residential real estate market in Canada—where it has been, where it is today and where it is likely to go in the future. As the CEO of Brookfield Real Estate Services, comprising Royal LePage, Johnston & Daniel, Via Capitale and Prudential Canada, he has for the past 12 years led these companies through one of the most unprecedented growth periods the industry has ever seen but also guided them through extremely challenging times, such as the recession of 2008 and the setbacks that many markets faced during that period in the residential sector.

Prior to joining Brookfield Real Estate services, Phil was the Chairman of Prestige Resorts and Destinations and, before that, was the General Manager and Vice President of Brookfield Global Relocation Services. Earlier on in his illustrious career, he spent 17 years with IBM from 1984–2001 with four years during that period spent as the Chair of a web and strategy company offering web and other interactive media consulting services.

Now, his career has given him much more than a deep understanding of real estate markets. It has also honed his communication skills and made him realize the great power of being able to effectively reach various demographics.

This key talent was recognized two weeks ago when Phil was awarded the CEO of the Year award in Communications and Public Relations by the Canadian Public Relations Society. We are very pleased to have the President of the Toronto chapter with us here today.

In his acceptance speech, Phil spoke of the fundamental importance of communication in business today, particularly, in the CEO suite. He is also a firm believer in volunteerism and is a board member of the Royal Lepage Shelter Foundation and the Brookfield Real Estate Services Foundation, as well as an extremely active participant in the T3 Summit, an annual real estate CEO and thought leadership organization.

Real estate is a subject that touches most Canadians financially, socially, emotionally and many would even say, spiritually. It is a topic we have examined many times over the 12 decades of speeches at the Empire Club, and we are very fortunate to have one of the industry's top players to provide us with an update at a time in our history when Canadians have never been more interested in this topic than they are right now.

Ladies and gentlemen, please, join me in welcoming for the first time to the Empire Club of Canada Mr. Phil Soper.

Phil Soper

Thank you, Mr. Chairman. Thank you, my head table guests. Thank you to Deloitte for sponsoring today's luncheon. Thank you to my colleagues from Brookfield. I have got the board, the head of our audit committee here listening very carefully, and, to my many colleagues from Royal LePage—I see a number of you here and various other aspects of business life—it is really a pleasure to be able to share a few thoughts about this industry that many of us hold near and dear.

Speaking at the Empire Club is a very special thing for me. When I was a kid, I was in a very bad rock 'n' roll band, and I dreamed about playing at Massey Hall—and I know that will never happen. It just will never happen; although, we had a real estate industry fundraiser, and I played on this very stage about a month ago. So there you go, to a much smaller crowd, and I always wanted to speak at the Empire Club, so when the Club reached out and offered the opportunity, I looked at it, and, hopefully, I can share a few insights into what my colleagues and I have learned through guiding Canada's largest real estate company and oldest real estate company through a very interesting decade and some incredible growth, some incredible challenges.

I was recently interviewed by a CBC reporter, and it was difficult to get into the piece because she kept interrupting the recording with exclamations like, "You're kidding me! Prices have to come down," or "How do you deal with these multiple offers?" And I know her producer wanted her to focus on macroeconomic factors. It was supposed to be about oil price declines and the impact of the interest rate decline—a drop in the target rate by the Bank of Canada—but what in fact was going on was she was recently married and she was trying to buy a house in Toronto, and I see this again and again: The real estate is something of a passion for people, and, in Canada, approximately 70% of us own our homes, but our research—and I will touch on it a little later—shows that 85% of millennials, our first-time buyers of today, want to own their homes. So is this great news, or, with such large market share, if you will, are we at the top of the market and poised for darker days ahead? This really is what my talk is about today, Canada's real estate market, room for optimism, cause for concern.

I am going to begin by providing a snapshot of where we are today and where I believe we are going in the immediate future. Then I will touch on some of the truth behind real estate forecasting, and I see some famous Canadian economists in the audience, so I will avoid using a lot of numbers, so you cannot call me on them later.

I will explore both sides of the public policy argument behind supporting housing. We really supported housing as good for the public good for 75 years in this country now, and some would disagree with putting public resources behind it. I will provide some insight into what I believe we have in store in the market longer term, and I will finish with some insight into changes in the market, changes that are driven through immigration, through demographics and even through social change—so changes in who is buying homes and how that will impact our industry. If you are going to buy a home in the short term in Canada, there is good news and bad news. So assume you are a homebuyer, and you live in Toronto. You have struggled with down payment requirements, always seeming to be one step ahead of your ability to catch up to them. For the dozens of properties you go to if you do put in an offer there are 14 others, and somebody always pays a ridiculous price for the home. So the bad news is that is not going away. Sorry if you are a buyer.

However, if you live in Montréal where we currently have an oversupply of properties that were built in the post-recession, mini-boom, and where the pressures on the market are much less, there will be some relief this year. And if you are a seller of real estate, you can flip that around, and I guess the message there is there is always a good side and a bad side in the transaction. Markets are either tight for sellers or tight for buyers, and real estate is a very local industry. The drivers of our market, affordability—and it is key to note that it is not the sticker price on a home; it is the carrying costs on a home that drives the behaviour in the marketplace. And the number one driver of carrying cost changes is, of course, interest rates. So there is probably no one change that we can see in the market that either slows or stimulates activity than a change in the cost of money. Confidence, in both employment and generally economic health, obviously, is a factor in whether our markets expanding or not and then demand. Population growth and demographic mix. The age of our population and where they are in their life cycle. So all these things drive the real estate market.

I also thought it would be good at the outset here to differentiate between the commercial market and the residential real estate market. Our Royal LePage commercial business can thrive in times when the residential market is in a correction and vice versa. The real reason behind that is the value of commercial property is directly linked to the value of future rents whereas residential property is primarily consumption, and I think this is something that bears repetition. Someone who is in the market and looking for a new home will tell you that they are investing in real estate, and it is true that residential real estate over time in Canada has appreciated. It has been an appreciating asset, but shelter is a necessity. Food, clothing, and shelter are necessary to sustain life, and we should look at real estate, residential real estate, not predominately as an investment decision, but as a necessity that everybody has to deal with. And some people will tell you that granite counter tops are a necessity, too, and it is simply not worth going on without them, but this is not a staging discussion.

I said at the outset I would touch a little bit on forecasting. And a false notion. It is a false notion that real estate companies, large financial institutions, always predict positively. I thought I would give you a little bit of a snapshot of what has happened over the last five years in terms of *our* calls on the market. So going back to 2010, I got headlines by declaring that Canadian homebuyers were irrationally exuberant and that they were paying too much for homes. That was in 2010. A lot of people, thereafter, predicted that the market was going to collapse, and I will get back to that in a second, and we came out at the end of 2012 and predicted that, no, contrary to talks of decline, the market was going to expand. By mid-2012, the headline on our release—big mid-year release—was "Canada's Housing Market at a Tipping Point." This is the middle of 2012. And at the beginning of 2013: "Brief, Mild Recession Forecast for Canada's Real Estate Market." Now, before those of you in the market are saying, "My goodness! You are bad forecasters," I will give you the mid-2003 headline: "Canada Emerges From Housing Correction." Nobody noticed. So our market does rise and fall. It is not always accompanied by significant changes in home prices, but the number of homes trading hands in our market rises and falls, and, certainly, if you were covering the auto industry, that would be the primary indication of the health of the market: How many cars are being sold, and the prices of the cars are secondary. So the markets do rise and fall, and we, as a real estate company—and financial institutions do try to get it right.

In 2014, at the beginning of the year, there were more calls of dark days ahead, and I was quoted as saying, "There will be no hard landing. There will be no soft landing. There will be no landing at all. The market is set to expand again." And it did. In fact, our forecast for 2014 was very close to the decimal point on how home prices resulted last year. But I thought I would take a moment to talk about the negative side of forecasting and what I call "economic hyperbole." There is one particular firm in Canada that has been very bad at this. It is a British firm. They have been grasping at headlines for about five years now with the same end-of-the-world prediction that house prices were going to collapse by 25% this year, and if we go back to when they made that first prediction, and we looked at what has happened—it has actually between four and five years—home prices have appreciated by 20%. You add that 25% so, really, they have hefted a climb by 45% for them to be correct. If they are a hockey coach or a CEO with such a dismal record, they would have been fired ages ago. My point being, you actually can hurt people by producing forecasts that are designed to just gather headlines, and I think any responsible organization really does need to look out into the future and call what they do see, and we try to do that.

On a national level, though home prices do not decline very often. If you go back over the last 35 years, they declined four times on a national basis, and each one for a short time, typically, less than twelve months. And so a soft landing in our industry is typically not a landing at all. It really means that price appreciation is less than the prevailing long-term rate, and we need that to happen because when home prices rise at a faster rate than underlying rise in wages and salaries, affordability gets strained. So we do have these cycles where home prices appreciate at less and more than the long-term average, and I will get to what that is and what we think is happening with that in the future in a second.

But there are problems, obviously, with home ownership in Canada. The most obvious one is leverage. High debt levels put people at risk when interest rates rise. Even if they can afford to carry the debt today if interest rates rise markedly, they put people at risk. People may have relied too heavily on the equity in their home for retirement which could decrease if house prices could decline. And of course, the same could be said of any investment, like stock prices, and what we do not want is our citizens servicing debt instead of saving for retirement.

There are other more subtle downsides to public policy that supports housing and those became abundantly clear during the American financial crisis. The most interesting one, as far as I was concerned, was the way homeownership interfered with labour portability. So in America during the six-year decline of their financial systems and their housing market, many people ended up with homes they could not sell. Yet they were anchored to those homes, and they were stuck in, say, Cleveland when there were jobs in Texas, and there were those that examined this quite carefully. It is more pronounced in the United States because there are more major centres of employment than there are in Canada. But homeownership can be an anchor because homes are not by their nature liquid.

The other downsides of homeownership are the stuff for magazines: Stories of neighbourhoods in Phoenix and Las Vegas that were built, and people ended up under water, owing more than they owned on the homes, and they deserted house after house and left their swimming pools full serving as breeding grounds for mosquitoes and the proliferation of West Nile disease. How is that one for a weird little side line for the downside of housing?

But I think we have to remember when we talk about these sorts of things that there is a difference between good debt and bad debt, and if you believe in the underlying value of our housing stock, mortgage debt is good debt. It is debt that leads to support the acquisition of an appreciating asset which brings me to the differences between the United States and Canada—because they are significant.

As I said earlier, the downturn in the American housing industry really was a failure of their financial system of which housing is a victim. We have much more conservative lending practices than the Americans did and do, and structurally we are very different. The U.S. non-recourse against homeowner policy would allow people to walk away from a home if they owed more on the home than the bank was owed, and you just cannot do that effectively in Canada. It has happened in Alberta in the past, but it is a very rare occurrence and, finally, the subprime market, which is really the market in which you lend to the less credit-worthy people. While it does exist in Canada—and we have seen some growth in it—it is a tiny little fraction of the overall housing market whereas it was a very significant part of how lending was done in America before the crash.

So let me turn to an immediate forecast, looking out to 2015. We had concluded in a 2014 forecast, before the oil price declined, that the market had peaked, and we were in for a period of slower home price appreciation. There were markets that were continuing to defy gravity. *Really,* it came down to three, Toronto, Calgary and Vancouver. Most of the country was moving forward at a much more moderate pace. We believe that independent of oil prices and interest rate changes that there is a broad moderating trend that is pushing housing into lower activity levels and lower house appreciation levels.

During the last quarter, the average price of a home in Canada, though, did increase markedly between 4.5% and 6.7% according to the Royal Le Page survey of Canadian home prices. To give you an idea of what homes are worth on a national basis: Bungalows are $406,000; a standard two-storey home, $445,000; and standard condominiums, $258,000. Of course, those in the room, most of you live in Toronto. Those would seem like bargains, would they not?

In fact, if you were in a Vancouver audience right now, you would think Toronto prices would seem like bargains. In Vancouver proper versus Toronto proper, home prices are about 50% higher in Vancouver, and, in fact, if you were to look at our latest results, you can buy about nine standard, two-storey homes in Moncton for one in Vancouver. So Canada is a market of local markets, and I guess what I would like you to take away in terms of pricing is there is very little evidence of strained affordability outside of Toronto and Vancouver cores, and, even in our suburban markets, we see relief in the Greater Vancouver Area of the Lower Mainland and when you move outside of Toronto.

The recent freefall in the value of oil has impacted our national housing market. With some, we saw it as a drag, and, with some, we actually saw it as a mild stimulus. Specifically, in the provinces of Alberta, Saskatchewan, and Newfoundland, we saw the drop in oil prices be a direct hit on consumer confidence, and we knew it would result in the removal of transactions from the housing market.

On the other hand, in central Canada, particularly, in Ontario, slightly less in Manitoba and Québec, we see lower oil prices as actually a mild stimulus for our economy, and, by extension, the housing market. As we look out to 2015, we forecast that home prices in Toronto will rise by 4.5% this year. That compares to the 7.5% we saw in 2014. We believe that the slow down would have been more dramatic if it had not been for the drop in the price of oil.

Our strength in export economy should benefit from America's strongest period of economic growth and labour force expansion in 15 years. Over three million people have joined the work force in the last 13 months alone. Further, a relatively weaker Canadian dollar makes our goods and services bargains south of the border, which increases company sales and bolsters consumer confidence here at home.

And, finally, a subtle point: We have unsatisfied consumer demand in Toronto. All of those multiple offers in which you have buyers that have been shut out again and again and again in these bidding wars, have not decided that they do not want a home. They just have not been successful in calling it an eBay–like bidding practice, and we feel when the market slows some of them will use that opportunity to come back into the market.

So let me talk about long-term expectations. Over recent decades, Canadian home prices have appreciated at about 5%. Today, with inflation so low and, therefore, modest increases in wages and salaries, we should be experiencing lower home price increases. Putting that away, if today's homeowners saw a 4% increase in the value of their homes, they would be just as well off as the homeowners of the past. As the North American economy continues on its long, slow but steady recovery, more people are working, and more people are earning more. Relative to the growth and wages and salaries, home prices have appreciated too quickly in places like Toronto and Vancouver. Affordability has eroded, and we expect the pace of appreciation to slow. But will prices collapse as a few have prophesized? This seems highly unlikely in the future characterized by low—maybe not uber-low or historically low but low—interest rates and a healthy economy, which is what we seek.

Of course, the surprise cut to the central bank target rate will support housing in general and, in fact, even in the province of Alberta in the city of Calgary, we believe that the drop-in retail mortgage rates, which we will believe we will see this spring, will mitigate the impact of the blow to consumer confidence in our energy capital. The citizens of Calgary are a resilient lot. They are used to yo-yo changes in their market where prices rise and fall rapidly, and they are actually very quick to get back into the market if they feel their jobs are not at risk.

So let me talk just for a second about what this 4% number means, the long-term appreciation number. How can home prices appreciate for greater inflation over long-term? You would think that would not be possible, particularly, if you believe wages and salaries will attract inflation.

By its nature, real property is a scarce commodity. You can understand this best when you think about recreational property. A far and away waterfront is a most desired feature when buying a cottage, a cabin, a chalet across the country, but they are not making anymore of that. It is restricting. You think, well, we have endless lakes and water in Canada, but the key is they have to be close to where people live to have any value. Before the 2008 recession, our research showed there were seven buyers for every two recreational properties for sale in Canada.

If we look at urban real estate, we can see the same sort of thing happen. As our commute times grow, as our cities become larger, people move. People will pay more to live closer to the centre of their urban environments, and, as such, we see a greater appreciation in the cores of our cities than the underlying rate of inflation. And cities expand. They push out. Now, sometimes, they are interfered with by geography, in the case of Vancouver, or by public policy, in the case of the Greenbelt in the GTA, and that artificially reduces supply and pumps up demand. And all of these things support greater than inflationary increases in real property over time.

It also results in a change to our housing mix. In 2013, a line was crossed in Canada, and we joined other advanced nations in becoming a "condo nation." If you look ahead for the foreseeable future, the number of condominium units that are built compared to detached units will continue to grow, and, over time, our housing mix will move more and more to shared resource living. Of course, this is exactly the way most advanced economies live in their cities. Detached homes are a rarity in Europe, for example. But, with it, comes a lot of societal change. Alex and I were talking yesterday about micro-condos and the thousands of units that are on the table in Vancouver and Toronto for as small as 250 square feet. This results in very different mixes of the kinds of people we see in the neighbourhoods we have. And, in general, if it is managed properly it should result in just much healthier, more vibrant urban core markets.

Over time, we have seen a number of these significant changes. Twenty-five years ago, 73% of the transactions that occurred were to married couples, and that is down to 65%. Women have grown by 50% in terms of their participation rate in buying homes independently. In fact, in our recent Female Buyers Report, we showed that young, female buyers were the fastest growing demographic of any buyer category in Canada. So, while they were out buying homes, guys still were buying cars and stereos. Some things never change.

Commute costs have become increasingly more important. Sixty-three percent of people worried about it 25 years ago; 70% worry today. And, for those who are in the industry—the real estate industry—82% of people 25 years ago used a licensed, insured agent. That number has climbed to 88% today.

First-time homebuyer motivation is also changing. It is interesting to note that they really are *the* key to a healthy market because they typically account for about 40% of the transactions that occur. In a recent study that we did of first-time homebuyers, 86% said that interest rates were the number one driver; 81%, home prices; 76%, job security; and 64%, stable economy. Interest rates, price, job, economy.

In general, what this is driving is a change in the mix of who is owning our homes and buying our homes. In fact, the number of transactions that are coming out of the same size of population is growing. A recent British study showed that over the last two decades, the number of people per household has moved almost a full person down from about 2.2 down to 1.2 people per household. Unconventional partnerships, singles, friends—many different groups are buying homes. It is not just the marrieds that we talked about earlier.

And immigration is changing the way that homes are bought in our country. New Canadians are less likely, are slower to buy a home. It takes them longer after they are in the home buying age category, but, once they are into homes, they are twice as likely to be in homeownership and much more likely to buy a condominium—likely, because they came from countries where condominium living was the standard.

And even generational shifts are changing the mix of what we see in housing, and some of our predictions were simply wrong. Baby boomers, in a recent study we did on baby boomers versus millennial buyers, were expected to desert the suburbs in droves, and, in fact, this does not appear to be happening. Almost half, 45%, were looking for their next purchase to buy a home of the same size or larger, and when you peel back the cover on why they are doing that, it has to do with really three things. One: Guys, and that trend that I talked about earlier where women are more sensible about getting into real estate earlier. Guys are even less sensible when they are older, and they want bigger homes when their kids have fled the nest. Why? Place for toys. They just do not have a place to put the motorcycles and the skidoos and the workbench they never use in their condo storage locker. And kids. Kids are boomeranging back into homes at double the rate of the previous generation. We are talking about the Generation Y here.

What does Generation Y feel about real estate? So these are our first-time home buyers. An overwhelming 85.7% agreed with the statement that they wanted to own property during their lifetime, and that it was preferable to renting. Those numbers, though, were skewed, and you can see the skew based on affordability. And 90.5% of Québecers—these are Gen Ys, young people—wanted to own their homes, and that dropped to about 80% in B.C., our most expensive market.

Trust, however, in real estate or the real estate market remains very high. As much as 80.3% of Generation Y believes real estate is a good investment, and 88.7% of baby boomers think the same. As a matter of fact, if you dig into the differences between Gen Y and baby boomers, you would find many more similarities than you do find differences, including their love of the suburbs. We believed that with the rise in the number of young people living in our downtown cores, there would be a corresponding fall in the desire to live in the suburbs. But our research into baby boomers who start families say they want to live in the suburbs with almost the same degree of desire that their parents, the baby boomer generation did 25 years earlier which probably explains why we have not seen declines in the value of our suburban properties. We have got baby boomers who are not getting out of the way because they want places for their kids who have not left yet and for their toys, and we have got young couples who want to move from downtowns into the 'burbs to raise their families.

It is a very fascinating industry, the real estate industry. I am often asked, "When is it all going to end? How can you continue to be optimistic?" But I believe if you are an optimist for Canada, and you are an optimist for the Canadian economy, you are an optimist for the Canadian housing industry. We have an educated workforce, abundant natural resources, strong financial institutions and immigration that outstrips almost all leading western nations. Brand Canada is a very strong brand in the world, and all of this points back to supporting the housing industry.

I have been involved in some interesting debates about the housing industry. One of the more interesting ones was a TV debate with a fellow by the name of Richard Florida, who spoke very strongly during the American recession against home ownership, although he told me privately that he owned three homes. But that is beside the point.

Academic versus actual, and part of his argument was that citizenship did not align to home ownership, and, in fact, if you look abroad, if you look at Switzerland, if you look at Germany, where home ownership rates are closer to 50% rather than 70% or even lower in Switzerland, it is true, but in Canada I believe—and in America—that owning a piece of the land dates right back to our pilgrim DNA, the homesteading nature of who we are. And the research does show that home owners retire richer, healthier and happier than those who are not.

And with that I would like to thank you for your attention and turn things back over to our Chair.

Q: Phil, with the GTA housing market, what impact does the Greenbelt have on that?

PS: So the impact of both policy and natural barriers to sprawl have a couple of impacts. One is very positive: It makes us make more effective use of limited resources. There is nothing that is a less effective use of sewage, water, power than sprawling suburban acreages. They are lovely, but they use a lot of resources per human being, so density is, in fact, I believe good for the public good. In terms of the real estate market itself, it clearly restricts our ability to meet demand, particularly, for single family homes. You can always go up, and that is what we have been doing in Toronto, but you can no longer go out. So I believe we have structural, long-term shortage, supply shortage, built into the single family home inventory in Toronto. And we will see over the long-term, larger home price increases in Toronto than other cities as a result.

Q: Phil, excellent presentation. I would be interested in asking a question on the federal government's recent moves over the last year or so to tighten down on the availability of mortgage money. They had opened it up a little bit. You saw the growth of the 5% down allowing a number of first-time

buyers to get in the market. Federal government saw what was happening in the U.S. I think they incorrectly overreacted in Canada, and I would be interested on your thoughts on it.

PS: So the tightening of access to insured mortgages. So, in general, I support the move. I mentioned earlier that the growth in indebtedness had risen at a faster rate than other general economic indicators, and it is troublesome. I think the key is the timing, so if you look at, say, the four key ones that were done, and then you go back to 2007, and you look at the timing of a liberal move when amortization periods were increased and down payment requirements were declined, that was done at the peak of the expansion, so I called it at the time "throwing fire or gasoline on to a fire." It was a hot market, and it needed no stimulus, and it was done, really, I believe, in response to the liberalization of lending practices in the United States. And it was silly timing.

But then we got into the post-recession period where there was that irrational exuberance, and I believe the measures that were taken were the right ones. They were not heavy-handed. They slowed the market, but they did not kill the recovery because we were very much still worried about economic recovery even if we were not worried about the housing market recovery. And the residential housing market played a very important role in Canada's rebound from the 2008–2009 recession. But in terms of timing, the last change that was implemented was also poor timing. Call it "politically motivated." I believe that it came at a time when the market was clearly slowing. I talked earlier about the correction that nobody noticed. The number of transactions were falling. The rate of price appreciation was falling, and so sometimes these public policy changes in areas like this can be very helpful, and sometimes they are out of step with what is really happening in the marketplace.

Q: **Hi. Thank you for the presentation, by the way. My question is for western Canada, specifically, the market of Calgary, Red Deer, and Edmonton. Grand Prairie–Fort McMurray has laid off over 40,000 people in the last four months. So the fact that they are resilient et cetera is very optimistic. Thousands of homes have been impacted, and I have received notice from some of my investment properties. My tenants are giving 60-day notice because they are good people—hard-working—but they have been laid off. Is Royal LePage, specifically, making any studies to get some stats to keep us current with the market in the west?**

PS: So two parts to your question. One, in terms of the information available—and, yes, we report regularly on what is happening in Alberta, and you can find that at royallepage.ca. In terms of Alberta overall, Alberta was late to the recessionary recovery, so home prices did not start to rise until, really, 2012 in Alberta, whereas the rest of the country it started in 2010. And yes, we saw some greater than inflationary increases in home prices there over the 2012–2014 time period—a very short time period but not as great as Toronto or Vancouver. So, really, we are not overpriced in the Alberta market. So price is not an issue.

The other thing that will mitigate the downside is there was a chronic shortage of properties available, so the vacancy rate is as low as anywhere in the country except, perhaps, Regina, Saskatoon and the multiple-offer problem in Calgary was a great one. So there is a lot of excess demand. I would wait through the true spring market to get a feel for the impact of the job reductions in Alberta. Many of the big numbers we are hearing are in fact the projected hiring of cancelled capital projects as opposed to actual people that are working today that will not be working tomorrow, so I think we need to see the market roll into true spring, and see if there are people that are confident enough in their jobs that they are going to take advantage of a little break in the market to actually buy a home or if in fact we are looking at a significant and extended downturn for the Alberta market, which is possible, particularly, if the consumer confidence is aligned with the feeling that low oil prices with prevail for an extended period of time.

Q: **We hear a lot of economists referring to these overvalued markets in Vancouver, Calgary and Toronto, and you always wonder what they are benchmarking against to come to those comparisons or those comparables. I mean, Chicago is more or less the same size as Toronto. Is that what they are comparing to, and is that not apples and oranges when you get into those types of comparisons?**

PS: A very good question, and if you think back to my comparison of a Moncton versus a Vancouver house, it really, to me, hammers home just how different real property is valued because I can tell you a teacher, an engineer, does not make nine times more in Vancouver than they do in Moncton. You are just poorer, and, in fact, if you were to turn to our friends at TD Bank or Royal Bank or something and look at their affordability data, you would see affordability of homes is radically different in different parts of our country. It can be that as low as 30% of disposable income goes to principal, interest, taxes, utilities in Atlantic Canada and 75% or even higher in parts of Vancouver. Imagine spending 75% of what you have just to put a roof over your head. But people are willing to do it, and they are willing to do it in places like San Francisco and New York and Mumbai and other great cities in the world. If you step back, and you look at the price of a home, a suburban home, in Surrey or Burnaby or White Rock or some of the suburban areas the same way that we are familiar with the prices in Oshawa or Burlington versus Forest Hill or something, you know, there are alternatives in Canada, and that is what keeps home ownership rates up. One thing, and just a little extension to that: It is not foreign ownership, so there is a feeling that foreign ownership in Vancouver is what is driven home prices so high. CMHC did an excellent job recently of sort of ferreting out the actual level of foreign ownership in our big cities. And even in Vancouver, it is less than 2.5%, so between 2.5% in Toronto. And in our other cities it is well, well less than 1%. So it is Canadians—now they may be immigrant Canadians or they may be Canadian-born Canadians—that are buying the majority of these properties and driving prices where they are going.

Q: I have been trying to think of how to word this, and it is an extenuation of our conversation over lunch, so I hope you are partly clairvoyant. I am wondering whether urban policy, especially, as it relates to things like social housing and what is happening with the real estate market, would have any sort of advantage if it was somehow done to help with those who are the working poor, the hard-to-house, the artists, et cetera in our market?

PS: Let me take this social policy that relates to housing. I will take it a slightly different way. I mentioned micro-condos earlier. So we are looking for a change in public policy to actually allow condominiums to be built as small as the markets demanding them. So in some of our municipalities, you cannot build anything under 400 square feet, for example. And the market really says you have to get down to 250 to hit the price point that makes sense in some of our big cities. So it is happening. We are seeing a policy change that allows young people to live where they want—young people and people that cannot afford a larger house. But, this is an interesting other side of the coin and where you have to look forward ten or 20 years because when you build these projects, they are there for a very long time. The farsighted planners in our big cities are starting to look at the other side of the equation. When you get these young people that meet other young people, and they start families, you cannot live in 250 square feet anymore. So the market today is for units of this size, and there is a real dearth of even two bedroom units, let alone three-bedroom units. So we need to look ahead and say if we are going to have vibrant communities that survive change in demographics and swings in populations and support children and schools and things, we need today to start legislating builders to include two- and three-bedroom units, a certain number of them in our projects and not just create these massive towers of shoebox condos.

Maybe just another short extension to that and feeding off something we talked about at lunch: I am a big believer in the use of the arts to grow healthy inner cities. We see excellent examples around the world. Dublin is often used as one that uses income tax policy and other forms of tax credit policy to create artist districts, to bring people into the city cores and allow them to afford to live in an area where they just could not live any other way.

The challenge is—and the people that live in the Beach will tell you this if you go back 20 years ago—it was a cool place to live, and now it is full of rich yuppies. So you know the problem is people want to live around artists and cool people, and then they raise property prices, and then, over time, the artists cannot afford to live there anymore. So it is a moving target, but I think it is a worthwhile one for our city fathers, our urban planners to look at because it is with that kind of forethought that we will have healthy, thriving cores, and we will not cycle back into where we were in the '70s and '80s with dead and empty downtowns after people went home from work.

Note of Appreciation, by Ciro DeCiantis, Partner and National Real Estate Leader, Deloitte

Thank you, Gordon. Phil, thank you, for your comments and reflections today. They were insightful, particularly, as they relate to that most significant part of our economy that all of us interrelate most personally in terms of how we measure our own personal wealth as a primary indicator of the current and future health of our economy and of the country, generally, and as you said earlier, in a very personal context as the places where we live and undertake the most basic activities of life.

As representatives of Deloitte and, in particular, our Deloitte Real Estate team, both Sheila and I are very thankful of the opportunity to sponsor today's event, and we are very proud to have Brookfield Real Estate Services and the broader Brookfield Group as a very important client of our firm. So, thank you, again, Phil, and to the Empire Club for the opportunity to share this time with you at this great event. Thank you.

Concluding Remarks, by Dr. Gordon McIvor

Thank you very much, Ciro. And, thank you, to Deloitte for sponsoring today's event. We would also like to thank the *National Post* as our print media sponsor, and, of course, we would like to thank Rogers as our broadcast media sponsor. This speech will be heard on television on several occasions over the weeks to come.

Please, follow us on Twitter at @Empire_Club, and visit us on line at www.empireclub.org. Thank you all for coming, and, please, join us again on March the 5th when we have Mr. Meric Gertler, the President of the University of Toronto.

Thank you, ladies and gentlemen. This meeting is now adjourned.

ONTARIO'S FIRST STATE OF THE NORTH SUMMIT: OPPORTUNITIES AND CHALLENGES IN THE NORTH

April 2, 2015

HEAD TABLE:

Distinguished Guest Speakers:

Mr. David Canfield, Mayor of Kenora; President, Northern Ontario Municipal Association

Ms. Joelle Faulkner, President, Area One Farms

Mr. Ted Griffith, Principal, Campbell Strategies; Chief Strategist, The Fixers Group; Vice President, Empire Club of Canada

Mr. Lawrence Martin, Grand Chief Mushkegowuk First Nations

Mr. Al Spacek, Mayor of Kapuskasing; Chair, Federation of Northern Ontario Municipalities

Guests:

The Right Honourable John N. Turner, PC, CC, QC, 17th Prime Minister of Canada

Hon. Michael Gravelle, MPP (Thunder Bay–Superior North), Ontario Minister of Northern Development & Mines

Mr. Gary Huizing, General Manager, Cochrane Power

Mr. Barry Campbell, Principal, Campbell Strategies

Mr. Brent Houlden, Director, Empire Club of Canada

Mr. Fittipauld Lourenco, Director, Government Affairs, Air Canada

Mr. Kevin Howlett, Senior Vice President, Regional Markets, Air Canada

Mr. Gerald Panneton, Founder and Former CEO, Detour Gold

Ms. Jamie Lim, President & CEO, Ontario Forest Industries Association

Ms. Andrea Wood, Senior Vice President, Legal Services, TELUS; President, Empire Club of Canada

Welcome Address, by Ted Griffith, Principal, Campbell Strategies & The Fixers Group; Vice President, Empire Club of Canada

People and the guests on the stage with me today are also head table guests, but for the sake of clarity and time, I thought I would introduce them separately. That way, we could proceed immediately into our discussion about the opportunities for all of Ontario and the world in Northern Ontario. To my right and your left, the mayor of Kenora, Ontario and the Chair of the Northern Ontario Municipal Association, Mr. David Canfield; the President of Area One Farms, Ms. Joelle Faulkner; the Grand Chief of the Mushkegowuk Council of First Nations, former mayor of Cochrane, former mayor of Sioux Lookout and two-time Juno Award winner, Lawrence Martin. Now, to my left and your right are the Mayor of Kapuskasing, Ontario and the Chairman of the Federation of Northern Ontario Municipalities, Mr. Al Spacek; the founder and former CEO of Detour Gold, Mr. Gerald Panneton; and, finally, the President and CEO of Ontario Forest Industries Association and a former mayor of Timmins, by the way, Ms. Jamie Lim.

We had a very spirited discussion this morning in preparation for this, so I am quite looking forward to all this. Interesting having our group together from the North to agree on many things who have competitive opinions on others, and I think it is great to see this group come together.

Let me remind everybody here in the room about the format for today. I will be asking each of our panelists to make a brief opening statement about what they see as the opportunities for Ontario and why personally they are involved in Ontario, of Northern Ontario, with part of our province.

What is interesting about Northern Ontario, for everybody should be reminded of, is that it represents 86% of Ontario's land mass and 6% of its population. So, I am going to ask our panel why this part of the world is important to them. For our guests, both here at the Royal York and hearing our live webcast, I encourage you to post questions or comments on our Twitter wall using the hashtag #empireclub or #stateofthenorth, and your question or comment will appear on the wall. I have also got it on an iPad here, so I will be able to see any questions that come from the world or even our audience here. At the conclusion and in about, say, 1:40 p.m. or even earlier, we will actually have some time for questions from the floor. So, thank you very much.

Let me first start with Mayor Canfield: What do you see as the opportunities for Northern Ontario, and why is it so important to you?

DC: Well, thank you and thank you for the opportunity to be here and to speak to everybody and kind of bring our message from the North. But, first off, I want to recognize one of my constituents. We did a little constituency work here earlier, the Honourable John Turner, who is a summer resident in Kenora and is there for the same reason I am—things that I will talk about—because the love of the beauty of the area there. Another little bit of nostalgia here that Mr. Turner is quite aware of is that Kenora is the smallest community in North America to ever win the Stanley Cup. We are now second only to the Toronto Maple Leafs. But, I think one of the big things—I mean, obviously, we are in Northern Ontario because of the beauty. I mean, it is the lifestyle, and we love it so much. We have been there for generations, and the opportunities that we see now because the world has changed so much, because the forest industry is rebuilding in a different way, but in a very exciting way with six-storey wood-frame buildings, is the fact that we are sitting on a massive amount of resources. What we need to do is get these resources moving.

Now, one of the things that happened back in the '70s—and I talked about it a bit this morning—was there was a huge influx of infrastructure by a man by the name of Leo Bernier who was the first Minister of Northern Affairs, I believe, when they put airports into the far North communities, built resource access roads throughout Northern Ontario to get into the resources. And the pulp mills and the paper mills started to expand

and build more machines and build more sawmills.

So, we are at Phase Two right now, and I will talk about that a little bit later, and this is going to be something that Minister Gravelle is going to provide for us in the future, that is, that next set of infrastructure that has to go in. That set will be the roads and the power lines so these communities can access these resources and move forward from there.

TG: Thank you, Dave. Mayor Spacek?

AS: Thank you, Ted, and, again, it is a pleasure and an honour to be here to promote Northern Ontario. Certainly having been born and raised in Northern Ontario, I see firsthand the opportunity. I have had the privilege of traveling this great province and country and beyond its boundaries, and I know only too well the opportunity that is there.

Now, Mayor Canfield appropriately stated that we know about our resources that we have there, the forestry and mining sector. I think if I was to talk about something that maybe we are not so well known for it would be our potential when it comes to agriculture. I will speak more about that later, but, certainly, it is a great opportunity. We also have a lot of resources in human resources—skilled labour. It is a great opportunity, and it is largely untapped.

TG: Thank you, Mayor. Ms. Faulkner, that is probably a good segue to you.

JF: Area One Farms, to give you a bit of background, partners with great Canadian farmers to build strong farms in our country. We operate in four provinces. We actually only work with one farmer in Ontario. Part of that is because what we focus on is really growing places where there is a lot of land redevelopment work to do, so bringing what was once historically farm back into production. Northern Ontario represents the most significant opportunity for that in Canada. And, from what we have been able to tell, it actually represents one of the most significant opportunities for bringing agricultural land back into use in the world. So, that caught our attention.

TG: Thanks. Thank you, Joelle. And Grand Chief Martin.

LM: The opportunities that I see as Grand Chief of seven communities of Northern Ontario is to watch what is happening in our territory, so to speak, and, particularly, in the Ring of Fire, so we try to find ourselves a place within this resource development that is going on. We started working with a group here, TGR Group, and talking about putting a rail through James Bay, through the lowlands. And we also talked to our friends in Hydro Québec and to the Québec Crees about bringing Québec hydro in from that side to be able to bring power to the Ring of Fire and also to the communities up there that do not have any kind of electricity, except from the diesel operations.

We also talk about utilizing the James Bay–Hudson Bay waters as a seaport that can accommodate the transportation of all these goods, not only from the Ring of Fire, but I believe from the supplies that would be taken from the south the north and elsewhere around the world. So, we see this as a great opportunity for us, and we are really happy to be part of something, because my people, the Cree people, welcomed the Irish and the Scottish and the French and the English over 400 years ago. Now, it feels like it is time for us to get involved, and we are happy to be involved. We have treaties; we have court cases; we have everything that we do not want to get into, but now it is time for business. That is what we are here for.

TG: Thank you, Lawrence. Mr. Panneton?

GP: Good afternoon, everyone. Basically, mining was my bread and butter for the last 31 years, so of course I am not going to be able to talk about forestry and agriculture, but I know one thing: The land mass, 86%, the skilled people is a resource and there are a lot of very good people up North. We lived in Val-d'Or for 12 years; we developed the Detour Lake Mine into a hell of a project. We worked with the Ontario government and federal government very well on this. We created value. We created jobs, 700 jobs directly and, probably, about 2,000 indirectly. The North has tremendous potential, but we need to do a lot more infrastructure. We need to support its development, and I think this is a great panel on which to be able to discuss all the resources, which are very diverse, to eventually develop into a development, an economic development situation for the North. Thank you.

TG: Thank you, Mr. Panneton. And Jamie wrapping up on the why and opportunities.

JL: Ted, thank you, for inviting the OFIA here today to speak—and I broke your first rule about acronyms, and I apologize, but why is the North important to me? Simply put, I am probably one of the only people in this room that can say that she lives in the two GTAs of Ontario. So, I keep my home in the Greater Timmins Area, and I have a cottage at Summerhill and Yonge in the Greater Toronto Area, and so I am a third-generation citizen of Timmins, born and raised.

I just finished raising three members of the fourth generation, and you are going to be shocked when I tell you that the greatest opportunity for Northern Ontario is the forest sector. It is a renewable resource. I know this is going to come as a shock, but trees grow, and our sector, with the right pragmatic public policy and support, can, hopefully, remain the second-largest industrial sector in Ontario. We are a job creator, supporting 170,000 hard-working families in Ontario in 260 communities. Right now, we have a study that shows Canada's forest sector can increase its economic activity by 60, no, by 20 billion by 2020 and increase the greenest workforce by 60,000.

Guess what? Everybody on this panel and everyone in Northern Ontario wants their share of that growth, and so that is why I get a little bit passionate about this, and that is why I am so glad we are here today talking about the state of the North.

TG: Thank you, Jamie. I appreciate that.

Premier Wynne has said, "We must look at interconnected metrics to run a good province for the benefit of everyone in the province." What is your advice to government on how to overcome the singular focus of one ministry to, perhaps, the detriment of many others, as you have seen in the case of the North? Maybe I will go back to you, Jamie, and start there.

JL: Sure. For the member of the forest sector, our greatest concern, I would say, is not necessarily with how ministries are interacting; it is more with the staffing in the Premier's Office. Some of the policy advisors in the Premier's Office have incredibly strong relationships with radical environmental groups, environmental activists, environmental lobbyists, and I guess I want to have a distinction here: Everyone on this panel is an environmentalist. When you are raised and live in the North, you clearly grow up with such an incredible appreciation for natural resources. It not only is your bread and butter, it is where you play; it is where you live every day, every minute. And our appreciation is so profound.

And so we are concerned because, over the past 11 years that I have been with OFIA, we have had four ministers, one of them is with us today. They are from Northern Ontario; they are Northerners; they get it. And yet, we see a lot of our strategies, a lot of our plans sort of go by the wayside. And so, our concern is with the staffing there. We would like to see more balance in the Premier's Office. We would like to see some policy advisors that have clear job creation backgrounds—not academic job creation—but really manufacturing job creators in the Premier's Office.

TG: I was going to say that is interesting because I think in Premier Wynne's letters to every cabinet minister, which were made public for the first time, economic development is at the heart of every single ministry and their jobs. Correct?

JL: Yes.

TG: Mayor Spacek, please.

AS: I think, in short, to make it simple, one point of contact would be helpful to Northern Ontario, a government contact. Michael is our champion now, and he is doing a great job of bringing together those resources, but we hear consistently that Ontario is a jurisdiction that sometimes is viewed as a little complicated. And if there was one point of contact in the government to lead the projects through to fruition, that would be helpful. I know Québec, Manitoba, Saskatchewan have a similar model, so when you are looking at a major development or project in Ontario, there is that one point of contact that leads you through the proper permitting to bureaucracy to get your project underway.

TG: So, that contact is not just in a ministry, but it would cover all ministries?

AS: Exactly.

TG: Okay. Lawrence?

LM: What I find very interesting is that as First Nations people get involved in the planning process with the province, say, land use mapping, for instance, and we bring our perspectives, our teachings, philosophies onto the table—and we will bring our traditional ecological knowledge to the table—sometimes that clashes against the scientists from the province that work with them. So, we have very interesting points of view that we have to overcome, but I think that is the interesting part, that when you are bringing a different group of people into play at the table, there is bound to be different points of view and that is what we are experiencing.

As far as anything else goes, I think policies, you know, it is our government's policies to do this and that, but sometimes when you start doing something or thinking about planning something outside of the box, it is not that easy to change those policies. And I go back to what I said earlier about how I am trying to bring in this power from Québec. Okay, there are no policies in Ontario to accommodate an easy flow of that energy, not just for our communities, but also to the Ring of Fire, but I see these two ministries sitting here, and I know they are listening, and I know they are going to help me, right?

TG: Thank you. David? We have got all these ministries that have a foothold in the North somehow. How can we get them to work together?

DC: Well, to kind of a follow up on what Lawrence said, I think we are talking about connecting the dots, and the dots span a huge area. Just to give you a geography lesson: The Northwest Ontario Municipal Association of which I am President spans from Hornepayne to Kenora, which is well over 1,000 km and from Fort Frances to Pickle Lake on about 60% of the provincial land mass. On a road trip, if I get in my car in Kenora, and I drive west, I am 1,900 km from Queen's Park. If I drive west, I end up in Golden, B.C. in 1,900 kilometres. That is three provinces. You are into the fourth. That is three planning acts; that is three legislative buildings all making policy for the areas, and we have one at Queen's Park making policy for somebody 1,900 kilometres away or 1,000 kilometres straight north. It does not work. It cannot work. You cannot connect the dots. It is too big an area. That is what we have to change.

We have been saying that for years, and it is not—I am not pointing a finger at this government. I started in 1991 in municipal politics, and I have worked with all three parties, and I said the same thing to every one of them. They all said, "You're right. One size does not fit all. We are going to change that." It has never happened. They have never changed it yet, so, until they start including the municipalities, the First Nation communities in Northwestern Ontario, in the decision-making in the land-use planning policies and the resource-based policies, we cannot win. But when we put this all together, and you use the expertise of the people that have walked the walk, then it will boom. The North will boom.

I do not know Toronto. I do not want to be involved in your land-use planning. I do not want to be involved in the island airport planning. But, I will tell you what. I know Northwestern Ontario a lot better than the people that live here. We are just saying include us in the policies, and it will work.

TG: Great. Gerald, you have invested a lot of money in the North. How is working with all the different ministries working for you?

GP: Well, I think Detour Lake was a bit of a special situation where there used to be a mine there before, so I guess with the mining lease and acquiring the mining titles was the first good thing we did a long time ago. We secured our access to the surface, right, so we did not have to necessarily deal with the same things of somebody starting from scratch. There is a big difference there; however, it does not mean that the government cannot be a little bit more proactive. You see, mining is a tough, tough business. We are not going to go out of there. But, you know what? Canada is a resource country. Ontario has a lot of resources, and if you want to develop your mining sector, the government is going to have to help. It is diversified—the resources in Northern Ontario. You know, there are plenty of them from forestry to agriculture to people. But if you want to keep your skills, if you want to keep Bay Street running with resources, you need to start thinking about proactivity, and you have to try to help the exploration come back and the development because, currently, there are probably very few dollars spent in exploration in Northern Ontario.

TG: It is also a long curve between exploration and—?

GP: Of course, it is, but do you want to react to the Ring of Fire, which was discovered, say five years ago, and take ten years to build? Or do you want to be proactive?

TG: Thank you. Now, really this is almost the same kind of question, but we have talked a little bit about all the different ministries in government. That is just one thing, though. You said that there are these great opportunities, such as lots of infrastructure opportunities that you are looking at—agriculture, forestry, great expansion opportunities in the North. What other barriers are there? What is preventing these opportunities from happening? I would like to start with Lawrence on that.

LM: Barriers? Humans. It is just the humans that are the barriers and a lot of it, I guess, where now, in my case, and I keep going back to where I come from, who I am, because we are new players in the business. We are new players in government, and we want to be able come forth and bring our ideas in. So, there is a lot of struggle with that.

And because Canada is made of so many treaties across the country, it is complicated in terms of that relationship with ourselves, with the treaties and also with the provinces. The Province of Ontario, especially, last year, has been really good to us. We have been able to work very progressively, and even though Canada really has not been there. So, I think that part, not knowing your country, not knowing the history, has been a real barrier to a lot of people understanding.

Of course, certainty is another question. There are a lot of certainty issues with First Nations, and those are the things we are trying to overcome; we are trying to deal with them, so that we understand business; we participate in a good way; and we also benefit from it. And I think that is the big change that is happening. We do not want to be spending a lot of time in the court rooms. We want to spend time in the boardrooms.

TG Thank you. Thank you, Chief.

I will not ask you to hold your applause until the end, because they are all saying good things. Joelle, you have sort of introduced agriculture to this discussion, and I do not think we in the south—southerners like me—ever think of anything growing up there in those northern communities. So, what are the barriers, other than maybe our mindset on that?

JF: Some of it has been resetting the mindset. The barriers, if we look at it, are largely from government, the ones that are procedural. We actually have a lot of the policies that would make agricultural development very possible, but, in how those policies are actually administered, they do not allow for security, predictability or consistency around building large-scale farms.

The second one is kind of how we look at, then, the ministries working together, so I am talking about some of your thinking around whether ministries can work together and how you make that happen. If you look at our model, we have recreated how farmers and investors actually partner. And the best article that I can look at for how on we have done that is one by Michael Porter, who talks about shared value. The article essentially says that we are not dividing a pie; we are growing a pie, and I think that is really the case here. About one million acres of land have been lost to urbanization in Ontario in the last decade alone, and that amount was also an amount that was farmed at one point in Northern Ontario, So, redevelopment of that land base is a totally practical solution to help with the world's food needs and Ontario food security on its own.

And I would have, about a year ago, told you that the barrier was going to be capital, but through what we have been able to do in other provinces, we can actually now bring capital to the table for this particular project. And so, actually, getting down to figuring out with partnerships with First Nations, municipalities, the provincial government and the various ministries involved in all the parts of the process to bring land into agricultural production is a really big step, and the barriers are, in my mind, pretty small.

TG: Great. Exciting. Jamie.

JL: Thanks. In our sector, in order to grow this renewable resource and capture all this economic activity, we need two things: We need consistent access to affordable fibre, and we need customers. And so, we see the barriers right now as bad public policy, and, by that, I mean provincial policy that has passed before their socioeconomic impact analysis is done, and scientific due diligence. So, that is a huge concern for us because this bad public policy keeps coming out, and every time it comes out, it shrinks the fibre basket. Less wood means less jobs, less economic opportunity. So, that is number one.

Number two would be the arbitrary, misinformed bullying campaigns by job destroyers—job destroyers groups like Greenpeace and other lobbyists. They target customers of the forest product sector and convince them not to buy product sourced from Ontario's boreal forest. These are arbitrary campaigns launched on misinformation, and they often result in apologies that have to be made, and we are looking for government leadership. I believe it is starting with Minister Mauro. He has already made first steps in this area, but the premier in Québec just last month went on CBC Radio, and I will read his quote. The premier of Québec said—and I quote, "If the goal of some is to ensure that there is no logging of the boreal forest in Québec, they can forget it. There will be responsible, durable use of the boreal forest in Québec. Second, if the objective is to protect the woodland caribou by eliminating hundreds of jobs, it will not happen." So, I think this the kind of support, you know—often when I say the word 'support', people think we are looking for money. We are looking for that kind of support, you know, for leaders to stand up and say, "We're not going to turn the boreal forest into a park."

TG: Okay, thank you, and if you could speak a little bit more directly next time, I would appreciate it. I am having a little trouble understanding what your position is. Mayor Canfield.

DC: Yes, a good follow-up. I mean, some of the challenges that we see—and Al and I and our organizations have been fighting this for some time—are, again, the non-government organizations, the Greenpeaces of the world to reinforce action at work, no matter who it is, and these people have had such a huge impact on policy for Northern Ontario. They live in California. They have done a great job down there, and they are implementing policy in the Province of Ontario when they have never walked the walk.

One of the biggest challenges we have is trying to clarify that misinformation. If you are telling people in Toronto and around here you have got millions of people, and if you tell them cutting trees is a bad thing, they are probably going to believe you. And the thing is, how do we educate them? How does that 6% of the population in Northern Ontario that knows better, that actually knows the real science and actually knows what trees really do, how do you get that message across?

I want to go a bit into the solution. I know you are looking to barriers, but part of the barrier here is one of the solutions, and that is *Trees Are the Answer* and Patrick Moore, who wrote that book and is the founder of Greenpeace. The thing is trees sequester carbon from about 20 years to 80 years old and emit oxygen. Twenty-year-old trees give off a lot of oxygen. Once they hit 80 years old, basically, their lifecycle is done. There is no such thing as the ancient forest that the environmentalists will talk about of Northern Ontario. It is a 100- to150-year-old forest. It will go down with a forest fire, with bugs or beetle. It will die. All that carbon goes back in the atmosphere, so we are talking a lot about climate change.

And Glenn Murray made a presentation to the AMO board last Friday. I said, "If you are serious about climate change, and you really want to do something about it because we are not carbon neutral—the environmentalists say it is okay for a forest to burn because another grows; it is carbon neutral. We do not live in a carbon neutral world. I am sure most of you here drive a vehicle, so the thing is trees are the answer. If we cut more trees and plant more trees and sequester that carbon at about 100 years old before it gets back into the atmosphere through a forest fire or through a blowdown or through a bug kill, then you are going to be serious about climate change. That is one of the answers. You know, we quit burning coal in Ontario, I guess at the end of last year, because coal emits carbon dioxide into the atmosphere, so we quit burning it, but yet some years, we burn more forest than we cut to do the same thing, and they do not even produce energy.

JL: Ted, can I just add something for context?

TG: Sure.

JL: Because I forget where I am talking, and so, to me, it is just natural, but I do not want people leaving here thinking that, you know, Ontario's forest sector is clearcutting and, like, there is not a tree left in Northern Ontario. So, to set everyone at ease, the last time we took a head count, there are about 85 billion trees in the province—

TG: More than ever.

JL: —give or take a couple, and our sector harvests annually 0.5%. Think about that: 0.5%, and with that 0.5%, we support 170,000 hard-working citizens in 260 communities. That is not a bad return.

TG: Great Jamie.

Mayor Spacek, I will give you the last word on this question about barriers.

AS: Thank you, Ted. And Jamie finished off with what was going to be my opening statement, so I will simply add to that: We harvest these trees, and, on average, when we harvest one tree, we plant three to replace it. We have a long history of being good environmental stewards. We live there. We have lived there for generations.

I have to, though, mention that, really—and it has been mentioned time and time again here—our biggest challenge are the environmental groups and the population outside of Northern Ontario. They do not have any concept of what we are doing in terms of our economy. It is a challenge, and I think it would be helpful if the senior levels of government were more vocal about the opportunity, the fact that we adhere to some of highest environmental standards in the world, especially, in forestry. That would be helpful, because right now they are just hearing it from two groups. They are hearing it from the environmental groups who are targeting the customers of our forestry companies, and then they hear the dialogue back and forth from the forestry company. But, there is a good news story out there, and it needs to be told by the more credible members of society, such as the senior levels of government.

TG: Thank you. Thank you Mayor Spacek.

Let us move on to the subject of energy and power production in Northern Ontario. You know, there are power plants all across Northern Ontario—Cochrane, Atikokan, Kirkland Lake. How do you view the government's understanding of the importance of power plants in the North, in particular, how critical they are to local economies other than just about power and electricity? I would like to start with Gerald because I know you have some opinions on energy in the North.

GP: Well, I think power is at the essence of basically opening the ground as a gateway. If you have more power supply and cheaper power, of course, that does not have to travel from Bruce or from Southern Ontario. The whole Ontario grid is all connected all together. I mean, the electricity that you buy at Detour Lake can come from many different places in Ontario depending on the demand, and somebody's networking it, but there is a cost to that.

I think if we want to develop the North and demonstrate that there is cheaper electricity there, we should definitely look into a strategy of developing the power in the North because this will be opening up more mills, more transformation, more industry. You already have the railroad. I am not sure if people understand why the North already exists previous to mining in Ontario. It is because of the railroad, which was an investment in the 19th century to open up the ground in the clay belt, which became an agriculture, where a million acres started. That is how you open new ground: By investing into something that will be sustainable and renewable like power. That is one of the resources that is not tapped in the North, and I think this should be definitely looked at in terms of strategy.

TG: Thank you, Gerald. Jamie, what is your view on government in this? And, you were a former mayor of Timmins, so you probably have a very good position on this?

JL: Well, just this past February, OFIA, our association, wrote to six ministers, for example, in support of non-utility generators in the province, and we specifically requested that the Cochrane Power facility, their current agreement, be extended because there is so much uncertainty, and uncertainty is the one thing you never want in business.

The reason why we are so supportive of that non-utility generator—and I should mention Mayor Politis from Cochrane is in the room, so, Peter, I hope I am not saying anything out of school—is, for our sector, we rely on a non-utility generator like the Cochrane Power facility because that is who takes all of our residual value from our mills. We are a highly-integrated sector, and we rely on being able to sell our residual value, our waste bark, our biomass to NUGs—sorry, acronym. And so, it is critical that those non-utility generators who have been existing and providing power for generations have some certainty because the lack of certainty that they have only creates more uncertainty for our sector.

TG: And it is a bit of irony the, as we look for power, places to produce power, that willing hosts like Cochrane and other communities are just ready, willing and able. Mayor Spacek, your comments, please.

AS: Well, I think I will use an example that occurred just within the past week where the provincial government some years back rolled out a program to open up water power, potential water power sites in Northern Ontario. They went through a process. There was a company, Xeneca Power, that was very successful in doing that. And this past Tuesday after a number of years trying to develop those sites, they announced that they are going to pull out of that project. That was 14 hydro sites amounting to almost $300 million worth of investment, and they could not seem to get through the process.

And I go back to my comment earlier about having one point of contact in the government to navigate through the process. So, one arm of the government was awarded the power purchase agreement and released the sites, and now they have to deal with the other arms of government in getting through the permitting process, so, clearly something is broken, and we need to address that.

I think that there is great opportunity there. There are still lots of development opportunities in the North.

I know that in Ontario's long-term energy plan, they acknowledge that there are over 10,000 megawatts available to be developed in Northern Ontario. And to give you some perspective, a nuclear generator generates somewhere between 500 and 700 or 800 megawatts, so the average output from a nuclear generator is around 700. So, we have 10,000–12,000 megawatts available to generate in clean, renewable hydroelectric energy. We need to sort the process out a little bit in terms of achieving that.

TG: That is actually equal to, like, three Niagara Falls generators.

AS: That is correct.

TG: Yes, that is amazing. As a group, you have very well expressed a lot of opportunities in the North to our audience here and articulated some of the barriers. I am hearing a lot about infrastructure. I am hearing a lot about how, usually, organizations get in their own way in their thinking—paralysis-by-analysis kind of thing. I know, Jamie, you have talked about a fact of there are lots of plans, right, in place on the North, lots of study?

JL: Yes, there are a lot of strategies, lots of growth plans. You know, and I certainly echo Mayor Dave and Mayor Al with their views to ask for someone who can act on behalf of industry and sort of streamline the process. Every time we have asked for this—you know, I can remember out of Minster Ramsay's report back in 2005 when we asked for process streamlining, we got more process. So, I am always afraid of what we ask for. So, "open for business" has not opened business for us. It has not made it easier. And I think you cannot ask the same people that have created some of the issues to solve the issues, so, when I hear them asking for one person, one place to go, one stop, you know, I think it has to be like a business commissioner. So, this province has an environmental commissioner; I think you need an arm's length business commissioner that can get things rolling again.

TG: Would that be for just Northern Ontario or all of Ontario?

JL: Oh, I include everybody—two GTAs, right. I have got a foot in both parts of the province, so…

TG: Another example that I would like you to comment on because we are doing well on time here is the *Far North Act,* which, I find, has an interesting title, given that the 49th parallel actually splits Ontario and half of Northern Ontario is just above the 49th parallel; half of it is below. I think, actually, Winnipeg is further north than Northern Ontario, yet we are calling the act the "*Far North Act*" in the process thereof. I know you had some comments, Lawrence, on that.

LM: Forty-ninth parallel—did you know that Treaty 9 encompasses two-thirds of the province? Two-thirds of the province is Treaty 9. We have 49 communities within that, which includes 49th and other numbers, but the point is, you know, a lot of times we do not realize what is happening in this country and, definitely, what is happening in the province. So, it gets me a little upset when we, as First Nations, do not get an opportunity to participate in all these plans that we are talking about here. We never get a chance to do it. But, now, I think because the need, you know, is so great in our communities, we have to get involved, so now we want to be able to take a look at what is happening, and, you know, for us to come in and say, "Well, this hydro power from Ontario—hydro is wonderful, but it's very costly, so we look at something else instead. Is that okay to do?" Can we think outside the box? Because when you look at Northern Ontario with all these remote First Nation communities—there are 49 of them—they all have little airports. They have no road access, except in the winter time. So, we have to take a look at that and say, "Oh, yeah, there are all these people living there; we have to include them." So, any other plans from here on in just have to include our people because we have needs—and we have many things that we can contribute as well in terms of how we treat the land and how we treat the animals and how we do all these environmental studies so that the industry that comes in does not destroy anything;

we cannot have just people cutting trees. There are stories, ceremonies to trees. There is life in all of this, so we want to bring that to the table and, at the same time, keep in mind cost is a factor in terms of how we do business. So, we want to look at it from a practical perspective as well.

TG: Great. Thank you. Now, all these opportunities, all these barriers, ways to overcome them, you have identified, so, I would like each of you to tell our audience what you think government has to do, what you think others have to do, and what you are going to do to make all these opportunities happen. I will start with you, Dave.

DC: Well, I guess this is the challenge time, and it is a pretty easy challenge. Minister Gravelle is sitting right here. He is a great friend. He is very passionate. He is now the Minister of Northern Development and Mines and minister responsible for Northern Ontario, and Minister Gravelle is passionate on knowing that, as I talked said earlier, Leo Bernier, is the King of the North, because of the first phase of development that opened up and the industry followed it. Mills expanded; sawmills popped up; mining opportunities popped up. Right now, we need phase two of infrastructure into Northern Ontario to connect these communities now by roads and by power lines, not just by airports. I know that Minister Gravelle is passionate about this. I know we have got Minister Mauro, Minister Murray, Minister Orazietti, Minister Leal, who are very, very keen and interested in being on that team. And what we, myself and Mayor Spacek and our organizations and our mayors in our communities working with the First Nation communities are going to do as we represent Northern Ontario—we have built a lot of bridges there over the last 15 or so years—is sit down with our new King of the North and plan out the infrastructure needs, but have us people involved in the planning.

And I will give you a real good example, and it goes back to the energy question. When you asked about the energy question, I was going to pop in, and I did not. The Northwest Ontario Municipal Association has an Energy Task Force. It is made up of volunteers. Some of these people are very smart people, but they are volunteers. We do not get paid for that. We do it out of the goodness of our heart, for the love of our community. The OPA, the Ontario Power Authority—pardon me for the acronym—does the same thing. We both did a paper on energy needs, future energy needs up to 2030 in Northern Ontario, specifically, Northwestern Ontario, for our purpose. We were that far apart. These people down here make a lot of money to do planning, energy planning. We make nothing. Guess who was right? The volunteers from our organization were almost dead on with respect to what we will need for energy resources in the future. The people down here planning, making a lot of money, being paid a lot of money to do it, were wrong. Every time we met, the gap kept getting smaller. Minister Gravelle, tell me if I am wrong. At the end of the day, guess what? We did not move very far on our energy task force. They moved a long way. That is what I am saying. Until you walk the walk and until you know because you live there and you live it, you work it and you love it—if we are not part of the solution, then Toronto is going to be a part of the problem.

TG: Thank you. Thank you, sir. I am going to ask Gerald Panneton. What would you tell government? What would you have others do, and what would you do yourself to make these opportunities work?

GP: All three?

TG: Or pick one. Your choice.

GP: Well, I think some of the very good points that were discussed by everyone around the panel this morning and around this lunchtime amounted to, you know, there is definitely a lot of work that has been done. There is a lot of work that needs to be put forward. I think there is development strategy that should be done by a team from the North. Maybe we can call them the 49ers. I think this—

JL: It will work.

GP: Yes, it may work.

JL: As long as it is bilingual.

GP: Of course.

JL: Okay.

GP: You know, I think in concert with the interests of government, eliminating uncertainties is important. Nobody is going to invest if there are uncertainties. Every project will go off and lift up if there are no more uncertainties. As long as there are, you can fight them. So, I think if there are names to be leaders to lead this and develop a strategy to develop the North, it needs to be done in concert because it is very diversified, and we need to have everybody on board, especially, the First Nations, especially, everyone around the North who lives there in the North. And then you can represent yourself and make sure Mr. Gravelle gets re-elected again.

TG: Jamie, what would you tell the government?

JL: Well, I think in order for the North to get its share of the $20 billion in economic activity that is coming down here in the country, we need government to hit the pause button on all policy that would impact the wood supply in this province until clear and transparent economic impact analysis has been conducted. We need the government to place a moratorium on all caribou policy until a scientific study can validate the relationship between disturbance and population growth. MNR just spent $11 million collecting data over the last three years, and that data clearly demonstrates that the two-caribou ecotype theory may no longer be valid, so, that is why we are asking for a moratorium.

And, lastly, we need government to strike a working group with an objective of reaching 2004 harvest levels and direct jobs of 95,000. So, right now, we are at about 57,000. We were at 95,000 before the recession. There is no reason we cannot get there again.

And in Québec, just last month, five mayors struck a new alliance called the Boreal Forest Alliance. The premier of Québec has endorsed it and, again, their objective is this transparent economic analysis as well as more data on caribou because it is shrinking the wood supply, and, as I said earlier, it is really simple: Less wood, less jobs.

TG: Okay. Grand Chief Lawrence Martin, First Nations have a huge role to play. What do the people you represent and other First Nations have to do to realize these opportunities?

LM: Well, the first thing I have to do is write a song called a "Ring of Fizzle" (laughter)

TG: That is what happens when you have a Juno award winner as a panelist.

LM: What I have to do is ask the government to work with our First Nations and to make the pie bigger. You know, we talk about these opportunities, but sometimes the opportunities are just too narrow. We have to make the pie bigger, so that it includes areas, such as in our area, where I come from, Mushkegowuk area, which is James Bay, Hudson Bay. When we have been talking about the Ring of Fire for the last five years. Mushkegowuk's part in all this was non-existent. We had to find a way to come in and there was some concern that there might be some environmental issues we have to deal with because we are all downriver from all this development, and our EA reports show, yes, there will be impacts. We will get a couple of monitoring jobs out of that, but we wanted to play a bigger part, so we started asking, "How do we come in not begging but to actually propose business ideas?" So, this is where this rail idea came in and the seaport and this energy from Québec that I keep mentioning. This is how we want to play, so, we are deciding how to play it instead of being asked or even ignored.

And the communities—not only in Mushkegowuk, but Mattawa—have been talking about how we work together because they also need infrastructure. They need water and sewers and houses, and they need electrification in their communities, and they want it now. Although there is a lot of power in the province, as was said, it takes a lot of time and costs a lot of money. Many of our communities are suffering. The elders are suffering. They can hardly pay for the rent or pay for the hydro because the cost is just too high, but is it possible that, by working with another power energy source—from Québec in this case—we can actually help our people, help the industry and as well help the relationships. You know, something was mentioned about what is going on in Québec. Well, it is the cheapest power in the country. Why not work with them bringing that power here?

TG: Thank you. Thank you, Lawrence. I think you know the whole concept that our First Nations' communities have gone diesel. Diesel generation is a disgrace, and we need to fix that right away. Where power flows, people grow. It has been proven over and over. We do not need a study to prove that.

We are going to open up the floor for questions. While we are just getting set up for that, I am going to ask each of our panelists to answer this one question, and it is in summary: Here in Ontario, what is the state of the North? I am going to start with Gerald.

GP: It needs injection of capital. It needs support. It needs a lot of things because it looks stalled.

TG: Jamie.

JL: I would say promising, but uncertain, and the North is in great need of pragmatic provincial policy that wholeheartedly supports the continued sustainable use of Ontario's renewable resources. And I know I am starting to sound like a broken record, but you can see how much we need this, too, transparent socioeconomic impact analysis.

TG: All right. Mayor Spacek?

AS: I think, in short, it is collaboration. I think the *Far North Act* that you referred to earlier was our wakeup call. When we woke up one morning and our First Nations' neighbours and communities read about the *Far North Act* in the paper—something we had not been involved with—we took that as a message that we needed to organize. We can no longer operate in an independent community or economic silos, and we made some real inroads in that regard.

Northeastern and Northwestern Ontario and First Nations community Anishinaabe Nation are working very closely together to get our house in order in terms of communicating that we have a real story in Northern Ontario, and I think that it is important to state that. You heard about some challenges here, but we cannot overstate the economic opportunity up there, and it will certainly be a big boon to the province. I have often liked to coin the phrase that if Ontario is supposed to be the economic engine of Canada, the fuel for that engine is in Northern Ontario. I think you are going to see some real progress in that way. It is important to point out that this current provincial administration, I think, has a willingness to do that. Premier Wynne has been a champion of Northern Ontario and you mentioned some cabinet ministers earlier. They are certainly on board, but the most important player on that team is also on board, and I think that is a very positive step. We have some good things to look forward to.

TG: You should run for a high office because that was the longest summary I have ever heard, but well done, well said. Mayor Canfield, what is the state of the North?

DC: The state of the North is phenomenal. It is ripe for investment. We have an unbelievable amount of sustainable resources. All we need is the infrastructure to make it happen, and you have hear that consistently all day.

TG: Joelle, what is the state of the North?

JF: I think it could be a new heart of Canadian agriculture, and it would not take a lot of work, but it would take work together to get it there.

TG: Thank you. And Grand Chief?

LM: I am feeling very optimistic. This is why we keep developing these infrastructure corridor plans in hydro, rail, seaport, just in case somebody does push that button at the Ring of Fire and things are starting to move. And I am optimistic also because we always have opportunities to develop partnerships. We sign MOUs to work together. We just signed an MOU with the city of Timmins in the hopes that we will have a smelter in Timmins, and our rail system is going to be the one to bring the ore down to Timmins and create jobs as a partnership with them and our First Nations in the area. So, I am totally optimistic about that and about seeing the possible savings that the province would have in beginning to work with us in these projects.

TG: Great, thank you. Now, do we have questions from the floor anywhere

Q: I want to thank the panel for this excellent discussion on an important issue, and I think this should be a regular feature of the Toronto business community on a regular basis—to hear from the North. It is an important audience. Although I am not form the North, I have learned a lot today, and I think it is great. One of the organizations I work with is the Ontario Association of Community Futures Development Corporations. They have a huge network of development corporations in the North that are working with communities and particularly important is a business community in the municipalities.

I would like to just ask maybe the panel to comment on their thoughts on how we build that relationship between the business community, municipalities and economic development corporations and community futures development corporations that are based in Northern Ontario to help get your message out and help build Northern Ontario?

DC: If I can start that, because that process in Northwestern

Ontario has already started. We have our Northwestern Ontario Municipal Association AGM, which is on the 24th of April in Thunder Bay. We also have the fall conference that is actually a joint venture between NOMA and the Development Corporations and the Northwest Chambers of Commerce. So, we have started that and bring in very interesting speakers to speak to all of us. We have connected those dots. We are good at connecting dots in Northern Ontario. We have not been successful in connecting all the dots across the province.

Q: I am Mayor Peter Politis, the Town of Cochrane. Hello, everybody. I am really happy to be here, and I am really excited about the opportunity that the Empire Club has put on for everybody to realize what we in Northern Ontario realize, which is what the vast potential that exists in Northern Ontario is, and it is the beautiful way of life that exists here, which we often say is the greatest way of life in the best backyard on the planet. I would also qualify that, however, to say that what a shame that in 2015 we still have all that potential sitting in Northern Ontario.

A hundred years ago, the legislature here, the government itself, set out to realize that potential and recognized the frontier that was there. And, certainly, if Northern Ontario is not the last frontier in Canada right now, it is certainly one of the last frontiers.

So, I have a bit of a statement and then a quick question to follow up. I have often said that capitalism is buying two cows, multiplying them into 40 cows, selling those cows and retiring, but you still have to buy the two cows. And if you do not get the concept in capitalism of investing the money to make money down the road, then you do not make that money. And the problem with Northern Ontario, if I can offer a suggestion, is that a big part of the challenge for us is investment, and you have heard that from a lot of the panelists here right now. We have not put the investment in place to realize the potential that exists here. We have not invested in enough roads; we have not invested in enough rail; we have not invested in IT infrastructure; we have not invested in enough critical infrastructure to attract the money from all over the world to be invested in Northern Ontario. And a perfect example of that is the Ring of Fire. If the investment had taken place that this part of the province set out to do 100 years ago in Northern Ontario, the Ring of Fire would be working right now. But, that infrastructure is not there, and we are still trying to find way to get past a lot of the bureaucracy to get to the results and the challenges that exist in industry. So, investment is key. And I agree with a lot of the panelists who talked about planning. We are missing out on one of the key elements of driving any development opportunity and that is planning. Where is the plan? That does not involve one sector or the other, but where is the plan that involves the government, that involves the leaders in Northern Ontario, that involves the industry, that involves the First Nations community, that involves everybody who has a vested interest to see that investment come to fruition? Where is that plan? And that is a key element for us to move forward. So, my question to the panel is, quite simply, what is your vision for Northern Ontario 20 years from now? We cannot have a plan if we do not have a vision. And when we have the vision, the plan is the roadmap to that vision. I would like to hear from the panelists and, yourself included, Ted. What is the vision? Where do you see Northern Ontario 20 years from now?

TG: Okay, we are going to answer that as quickly as we can, given our time limits today because I think the vision had actually been quite expressed by a lot. I am going to ask three panelists to do that. I am going to ask Joelle; I am going to ask Al; I am going to ask Gerald. Okay, so Joelle, what is your vision in the next 20 years?

JF: So, you are looking at Canada or at Northern Ontario as being one of the last frontiers, and I would say it is new farming frontier for this province, this country and the world at large, which has more people eating than ever before—more quantities of food consumed.

And we are actually one of the very few places where agriculture is completely sustainable on the basis of water, which is one thing very rare in a lot of other parts of the world.

TG: Thank you. Mayor Spacek.

AS: Thank you. I think that, in 20 years, you will see a very competitive and modern forest industry. You will see a continuation of the expansion of the mining sector; you will see responsible mining operations going on, but I think the new player, as Joelle said, will be agriculture. We have a phenomenal amount of land up there in our little area between Kapuskasing and Timmins, as an example. We recently did land inventory, and, as Gerald mentioned earlier, when the railway came through, the federal government started a program to settle Northern Ontario through an agricultural initiative. And an industry came in, and they went for the richer jobs, but, as a result of that initiative, we identified there are a million acres of vacant Class 3, Class 4 agricultural land, so, that is not forestry land; that is not Crown land; that is a million acres of land that is available for agricultural opportunities in just that little area and pocket of Northern Ontario. So, we have the opportunity, I think, to start feeding Ontario and the world. You may know that Ontario imports 40% of its meat, and I think we are going to play a big role in filling some of the voids there. There are no more agriculture opportunities in Southern Ontario; it is go North young man.

TG: Yes, Gerald. Jamie, you are so shy.

JL: Yes, I am. I know. I have got to work on that. Right now, we are the second largest industry sector operating in Ontario. In 20 years, we are going to be the largest industry sector operating in Ontario, and the one thing I know about the people in the North and the one thing I know why we are still here is because we are persistent. And I would like to read one of my member's quotes—a family-run operation: "We've weathered recessions and depressions, world wars and fires, but our passion and commitment to sustainable forestry has never abated. For me, sustainability is not just a buzz word; it means that I have a responsibility to ensure that the forest is taken care of so that my kids can be the sixth generation to sustainably harvest timber from Ontario." Well, I want you to know that I know the mayors that I have worked with, my member companies, are going to make sure that we do everything we can, so that, in 20 years, Jamie McRae's sixth generation is operating McRae Lumber.

TG: And Peter you asked me to give my vision and my vision is quite simple: The people in Southern Ontario 20 years from now will be as familiar and love Northern Ontario as much as I do.

JL: Oh, hear, hear.

TG: And, on that note, I would like to invite Mr. Kevin Howlett, Executive Vice President of Air Canada to give some thank you remarks to our panelists. Thank you.

Note of Appreciation, by Kevin Howlett, Executive Vice President, Air Canada

First off, thank you very much. A big thank you to the panelists and everyone who participated in this forum today. It is, particularly, I think, relevant to this country, to this province and, certainly, to us at Air Canada that we understand some of the challenges but, more importantly, the opportunities that are associated with doing business in Northern Ontario—a terrific and strategic part of this country and this province that has such untapped potential. This certainly became very obvious to anyone who was listening to the panelists here today.

At Air Canada, we see that potential every day in Northern Ontario, and you may not realize it, but last year we flew close to three-quarters of a million passengers to and from Northern Ontario cities into our global hub here in Toronto. And while we just finished the first quarter of this year, we see those passenger numbers actually trending upwards. We have got 31 daily flights every day into the region of Northern Ontario. That totals to 400 flights a week, and we have got a huge investment in the North, and we see our investment actually growing in Northern Ontario.

Now, I think as you heard from some of our panelists this morning, an improving business climate will drive new business and will drive jobs and the need for the North to be able to reliably and competitively connect to the rest of the country—and more importantly, to the rest of the world. An efficient and a competitive air service—I do not think anyone will doubt—is a proven economic enabler for any community, and Northern Ontario is no exception. Northern Ontario has a real strategic advantage given its proximity to our global hub here in Toronto. Air Canada and its network offers communities and businesses throughout Northern Ontario an incredible value proposition by being able to connect passengers and goods and facilitate trade with over 200 destinations within this country and around the world within one stop. So, if I live in Timmins, Ontario, I am one stop from Hong Kong; I am one stop from Frankfurt, or I am one stop from New York, and that is a huge strategic advantage and huge economic enabler as you set out to harvest the bountiful resources that the northern part of this province has had. As well, this is a tool available to few regions around the world, and this is both to your benefit and to the benefit, obviously, of us here at Air Canada.

Air transportation offers an incredible ability to increase economic development, and, as long-standing partners with communities and companies in Northern Ontario, we certainly hope to be able to continue to work with the province and with Northern Ontario to identify new opportunities throughout the region and to really unlock the potential that this wonderful section of the country and the province has to offer. Thank you very much.

TG: Thank you very much, Kevin, and thank you very much for your sponsorship. That is the best draw prize we ever had, and Air Canada was also responsible for flying down many of our guests, and we thank you for that.

The Empire Club Presents

ROBERT DELUCE PRESIDENT & CEO, PORTER AIRLINES INC:

PORTER AIRLINES; TAKING OFF AT BILLY BISHOP AIRPORT

April 30, 2015

HEAD TABLE:
Distinguished Guest Speaker:
Mr. Robert Deluce, President & CEO, Porter Airlines Inc.

Guests:
Mr. Jim Cade, Senior Partner, Business Law Group, Norton Rose Fulbright
Mr. Ernie Eves, 23rd Premier of Ontario
Ms. M. J. Perry, Vice President and Owner, Mr. Discount; Director, Empire Club of Canada
Ms. Verity Sylvester, Director, TEEMA Strategic Search; Past President, Empire Club of Canada
Ms. Andrea Wood, Senior Vice President, Legal Services, TELUS; President, Empire Club of Canada

Welcome Address by Andrea Wood, Senior Vice President, Legal Services, TELUS; President, Empire Club of Canada

A couple of days ago, over lunch, a few of us got to talking about who in Canada we believe wields power effectively.

And you can tell that it was a dry lunch, but after having debated the obvious list of politicians, judges, and corporate CEOs, we concluded that there could be no more effective use of power than that exercised by somebody with an idea, talent, access to capital, and the grit and determination to build a business from the ground up. We concluded that someone like that could provide employment to hundreds, if not thousands; change the face of a city; and improve the lives of residents. Ladies and gentlemen, our speaker today is such a person. Robert Deluce is the founder, president and CEO of Porter Airlines, an airline based at Billy Bishop Airport here in Toronto.

Robert is a veteran airline executive having operated a number of airlines in Canada, including Air Ontario. His latest, Porter Airlines, is an incredible local success story and has changed the face of our city. Porter was launched with the simple premise that Canada's airlines can do better by focusing on offering an improved customer experience. Porter has created a niche for itself in a very tough industry. Launched in 2006 with a few short haul routes, today, Porter makes travelling more civilized to 14 Canadian and six American cities. It employs 1,400 people.

Thanks in large part to Porter, Billy Bishop Airport has been transformed. It has gone from being a small, dilapidated terminal—remember the old City Express days, guys? I do—to being a state-of-the-art modern facility that accommodates 2.5 million passengers a year. That transformation continues: Soon Billy Bishop passengers will be able to skip the ferry and, instead, use a 240-metre pedestrian tunnel to access the airport. I for one cannot wait. Many people would stop there and call that success but not our speaker today. Robert Deluce is determined to expand Porter service to include longer haul flights. This, of course, means using jets and expanding the runways to the Airport, the controversial proposal that I think we are going to hear a little more about today.

So, ladies and gentlemen, please, join me in welcoming your speaker today, Robert Deluce.

Robert Deluce

Good afternoon, everyone. Thank you very much, Andrea, for that generous introduction. This is the second time that I have been afforded the privilege of addressing the Empire Club, and I am both grateful and honoured to be back at this prestigious podium.

I very much appreciate the opportunity to update you on Porter's exciting proposal as it relates to Billy Bishop Toronto City Airport. It is now more than two years since we unveiled plans to introduce flights to places like Florida and California using the latest jet aircraft technology. This plan was always based on the understanding that two specific requests be allowed. Two specific requests would have to be approved, namely that jet aircraft be allowed to fly at

Billy Bishop Airport and that the main runway be extended by 200 metres into the water at each end of the main runway but remaining within the existing marine exclusion zones. Porter is on record as having said—right from the day we announced our plans—that the Bombardier CS 100 aircraft must conform to the current noise limits set out in the Airport's tri-partite agreement, or we will not be accepting delivery of them. We have also been clear that the runway extension must have no material impact on boating or the use of the harbor, or we will not proceed with our plans. I will talk about these two requirements in more detail as we get into the presentation. This is not just a downtown issue or a marine issue or about new aviation technology. It is something that matters to our entire city: It is about jobs; it is about giving people choice; it is about providing lower airfares; and it is about developing Toronto's waterfront in balance with other efforts.

Now, it has been more than eight years since Porter Airlines started flying in 2006. Since that time, we have flown more than 13 million passengers, and I am proud to say that we have been previously voted "the world's best small airline" by *Condé Nast Traveller* and North America's Best Regional Airline by Skytrax. That is welcome recognition of the efforts being made every day on every flight by our more than 1,400 dedicated team members.

The proposal that we made in April 2013 to provide service to a number of new destinations, including Vancouver, Calgary, Miami and San Francisco, is going through a very detailed review. Currently a number of studies are underway including an environmental assessment of the runway extension, a detailed design for the runway, an updated airport mass-juror plan that includes the possibility of jets being introduced and a neighbourhood precinct plan for the Bathurst-Quay area. Ports Toronto is undertaking the first three studies at the city's request and the city itself is leading the neighbourhood plan. This work is being conducted thoroughly and with appropriate public input in order to provide all stakeholders with the necessary information to make an informed judgment in regards to our plan.

Where there have been questions, I believe these studies can provide answers and facts. If there is a desire for compromise and a willingness to find solutions then there can be benefits not only to the Airport and for Porter, but for the local community through our redevelopment of the Airport's mainland access and the city's economy and a further benefit of using the Airport's excess as a catalyst for redevelopment of that specific section of the waterfront.

Now, sometimes I am asked why we made this proposal at all given the fact that Porter is doing relatively well and considering the fact that it was bound to produce a certain amount of resistance. The truth is that we were asked much the same thing when we went planning to start the airline in the first place. There were questions about how long it could possibly last and how many people could possibly be interested in flying with a new airline. More than eight years later, millions of passengers have flown with Porter. The airport is a recognized asset for the city, and it, together with Porter, serves to significantly promote Toronto in the destinations we fly to and even more places around the world. It is fair to say that results have surpassed even our most optimistic expectations. This foundation of support and feedback is really what led us to make our current proposal.

Our customers told us that they appreciate Porter's service to our current 21 destinations; they told us that they really appreciate the reasonably priced airfares that make travel to these destinations much more affordable; and they told us that Billy Bishop Toronto City Airport is an important city asset that makes their travel experience very convenient. At the same time, they said service to longer range destinations—like Florida, the Caribbean and western Canada—is of great interest.

We are also insistent that any growth should not effect the premium service and refined approach to flying that we have developed and are known for. Based on our experience to date, we are confident that base airfares on new routes will decrease by up to 60% or more with the introduction of competition. You will benefit from this even if you decide to fly from Pearson because airlines based there will also need to compete for your business. Before announcing our growth plans, we considered all these various factors knowing that there is a jet ban at the airport as part of the long-standing tri-partite agreement that controls its operation.

After a global search of aircraft manufacturers, we determined that Bombardier's new state of the art CS100 was the best way to serve all of these interests. Noise is a primary consideration for the introduction of any new aircraft at Billy Bishop. That was uppermost in our minds when we chose Bombardier's Q400 turboprop as the original aircraft in our fleet when we launched back in 2006. The Q400 is known for its quiet sound profile, and I can tell you that on-ground and in-flight testing have proven that the CS100 comparably quiet to the Q400. In fact, the CS100 will be quieter overall when activity on the ground such as taxing and maintenance procedures are also factored in. This aircraft will meet the very stringent restrictions imposed by the tri-partite agreement, and those restrictions are the toughest of any airport in the world.

When jet limitations at the Airport were set out more than 30 years ago it was impossible to predict the profound changes that would occur in the world of aircraft technology. Bombardier and the Pratt & Whitney Geared Turbofan engine have literally reinvented this category with an airplane that is up to four times quieter than any similar jet aircraft—that is why we have made a conditional purchase agreement for up to 30 CS100s. We have also committed to purchase rights for six more Q400s, which are manufactured right here in Toronto. That makes Porter's total plan and additional investment sum $2.3 million, which is a strong vote of confidence in both the Canadian aerospace industry and the economy of our city. It is an investment that we are proud to make.

The agreement is conditional because in order to proceed, Porter needs the approval of all three parties to the tri-partite agreement—the city of Toronto, the federal government and Ports Toronto. The first consideration that I mentioned earlier is allowing the CS100 to operate from Billy Bishop Toronto City Airport. The Airport is already governed by the strictest noise regulations in the world, and we are now asking that any aircraft meeting these restrictions be allowed to fly from there. Simply put, if the CS100 does not comply, we will not be purchasing the aircraft; we will not move forward with our plans. In essence, that is our noise guarantee to the city and to our neighbours.

Bombardier plans for the CS100 to enter commercial flights in early 2016—the test flight program currently has five aircrafts flying, including one with a fully fitted out passenger cabin. The CS100 will be exhibited at the Paris Air Show in June, so the aviation world will see firsthand what a stellar and revolutionary aircraft it actually is. Porter is proud to be an early adopter and leading proponent of this aircraft just as we were with the Q400.

The CS100 is also revolutionary in terms of environmental performance. It is a model of operating efficiency using less fuel per seat than many modern compact cars, and it virtually eliminates the production of unburned hydrocarbons—over 99% lower per flight. Work that the city had already completed indicates that the Airport is a relatively small contributor to local air and sound quality. The Lakeshore and Gardiner are actually closer to most residents and contribute substantially more.

The health of waterfront and downtown residents is important to us as well, as many of our team members, passengers, neighbours and their families work and live in this area. A combination of CS100s and Q400s, all made by Bombardier, will ensure that Porter is flying one of the greenest fleets in North America.

We are also asking that the tri-partite agreement be amended to allow for a runway extension of 200 metres into the water at each end of the main runway. Our paramount principle in requesting the extension is that it be accommodated within the existing marine exclusion zones and have no material impact on boating. We have said from the day our plans were announced that we would not proceed if this principle could not be honoured. Another important factor regarding the runway is that extensions into the water are almost certainly going to happen with or without jets. Transport Canada is presently finalizing regulations that will require enhanced runway and safety areas, or RESAs, for airports across the country—this involves a safety buffer of 150 metres that at the island would include a portion of water.

Porter's proposal already incorporates this requirement, so there is no further extension needed or intended.

There are those who do not want Porter's plans to proceed—this includes some who are opposed to the very existence of an airport: No Jets TO and others have waged a campaign of untruth and misinformation to further their ends. I have personally seen much of the material they are using, so I hope that what I can tell you today helps put your mind at ease.

They falsely predict a number of dire consequences including that there will need to be runway approach lighting beyond the runway extension further into the lake—not true. Transport Canada has been very clear that approach lighting towers are absolutely not required at the Airport. The runways have sufficient and safe navigation guidance provided by other visual aids for both turboprops and any jets that may operate from there. A further claim on their part is that jets will affect development opportunities along the waterfront and Port Lands. With building heights having to be limited due to the jet's lower approach pass—not true. We know this is wrong because the CS100s flight paths will not be lower than it exists today for the Q400 and will not change building height requirements along the waterfront. Development opportunities could actually improve by using the latest navigation technology to improve, to provide even more precise flight paths. We are actually working on this already because the technology can benefit all commercial flights whether they are turboprops or jets. Flight paths will be further refined and apply in all conditions.

Development that has occurred or is planned is based on central waterfront pricing, which has increased some 72% since Porter's launch. The Airport does not affect property demand or value; in fact, many developers believe that proximity to the Airport is an advantage for typical residents, and new routes will only increase this benefit.

The final example that I would like to mention is of particular interest to those in the room who are boaters. The opponents claim that the existing marine exclusion zones, which are marked off by buoys, will extend all the way from Ontario Place to York Street effectively closing off the Western Gap. This is another fantasy intended simply to scare people. Any information that you have seen or heard about this claim is entirely inaccurate based on speculative, misleading, and rather amateurish calculations.

The fact is that no credible runway design has been presented to indicate anything even resembling this. The most current version shown as part of the Airport's draft master plan indicates no buoy movement on both the far eastern and western ends of the main runway. There is also no movement along the northeastern section of the buoys. The only relevant area with marginal buoy movement is along the northwestern section, and this amounts to an average shift of ten metres northward, which would not require any material change to existing navigation. This area actually happens to also include some natural shallows with sediment buildup that already guides both traffic in that area. So, yes, there is some minor proposed change to the MEZ, or Marine Exclusion Zone area, but it will not affect how the water is used in any significant way if at all.

Porter has very good relationships with many of our neighbours—these people are our customers who often walk to the Airport. They are local businesses who enjoy the tourism provided through Porter and the local school and community centre, where our team volunteers time and donates money. We would like to build more relationships like this and hope that we are given an opportunity to do so.

We take our community responsibility seriously, and we work hard at being good corporate citizens in a number of ways. Porter supports activities as diverse as leading cultural institutions and charitable golf tournaments, just to mention a few. We are also flying the Pan Am Games flame to multiple points along the torch relay route and two specially painted Q400s that will help promote the Toronto 2015 games as they fly to our various destinations. Doing our part to make this a better city is important to us, and we will continue this effort into the future.

I would like to highlight the proposal's economic benefits. To date, Porter has created 1,400 jobs, and our plans will create an additional 1,000 direct jobs at the airline plus another 1,000 indirect jobs within the tourism and transportation sectors. Billy Bishop Toronto City Airport contributes more than $2 billion in economic benefit to the city each year, and that number is anticipated to increase by at least $250 million annually if we are allowed to proceed.

Tourism is a vital part of our economy. Currently, Porter brings in more than 600,000 visitors to Toronto each year, and that number will grow by adding major new population centres to our network—that is good news for the over 315 thousand individuals who make their living delivering services in a variety of businesses including accommodations, attractions, taxis, retail and entertainment.

Some people have already decided to oppose the plans we have put forward. Others may still be unsure and want to see the studies that will be completed later this year. We fully support these studies and look forward to their release and the city council's debate on them. We have had detractors from before Porter even started flying. If we allowed negative assumptions to guide our decisions back then, I probably would not be here today because there would not be an airline to begin with.

We do run a business, and we do so in order to be profitable. We do not make apologies for that, but Toronto is also home for me, and many of our team and passengers, and we generally want the best for it. We believe in a revitalized waterfront that includes a revitalized airport, waterfront airport. Ten years ago it was said that any development at the Airport associated with Porter startup would permanently setback any plans for waterfront development. I think it is fair to say that those predictions never came to pass. The waterfront is thriving with dozens of major commercial and residential developments, and more projects are announced seemingly every month. Just as in the past, there is no reason now to believe that this will not continue, whether or not the Airport's own future growth includes jets.

Now, speaking of jets, I would like to take a minute to comment on Air Canada's recently adopted position of opposing jets at the Airport—or as I might describe it, finally admitting publically a position that has been obvious for some time. Earlier this month they summarized their position as the following: "Air Canada's position on this matter is crystal clear. We do not support jets at Billy Bishop; instead, Air Canada says they prefer focusing on short haul routes from this Airport using modern turboprop aircraft." It has always been a bit hard for me to tell what Air Canada actually does want at Billy Bishop Airport. For about 16 years Air Canada had an effective monopoly at the Airport. During that time, they chose to consolidate flights at Pearson and help to grow passenger numbers from 400,000 annually all the way down to approximately 20,000 passengers per year. In 2003, when a bridge to the island was approved and on the cusp of being built, they claimed they wanted to fly jets from the Airport. Of course, that was in the middle of a municipal election back in the Miller days when the Airport was being hotly discussed. Coincidentally, we had proposed starting turboprop service in conjunction with the bridge's completion, but jets at that time were not nearly as advanced as today's CS100 whisper jets. There was no way that they could have realistically started operating jets then, but the Air Canada claim helped derail the bridge from ever being built and our startup at that time.

When Porter did start operating in 2006, Air Canada was, again, motivated to have a strong presence, immediately requesting significant access and flights to multiple destinations. After our proposal to operate jets was unveiled in April 2013, the Air Canada CEO said that if there was any opportunity to permit jets, then Air Canada would want access. He is quoted as saying, "We would absolutely categorically expect to fly our jets there." Now, comes the latest claims that not only are they not interested in jets, but that leaving the Airport entirely is an option they are contemplating. The only consistent theme seems to be one of doing what is best for Air Canada, not Toronto, and certainly not passengers.

Why the dramatic change of mind on flying jets from the Airport to longer range destinations? I would suggest to you that they do not want additional competition on the routes we proposed because past performance shows that any market Porter enters results in fares being lowered by up to 60% or more. Consider this for a moment: On the Sault Ste. Marie–Toronto route, prior to Porter's arrival, the prevailing average price for a one-way based fare was

$296. With Porter in the market as an alternative, this fare immediately dropped to $119. Similarly, for Timmins-Toronto, the old fare was $316 compared with $109 when we entered the market, so it is in their interest to support the status quo of no jets in order to stifle competition on longer range lucrative routes. We do not expect to win everyone over—probably not Air Canada either. Some never will be convinced for their own reasons.

All that I can ask of anyone is to make up your mind based on the facts. If you consider the complete picture, I believe the evidence will allow you to be supportive. There is much to be discussed among the parties in the coming months, but I am confident that agreement can be reached, and council will be presented with a comprehensive plan later in the year. Porter is proud of what we have accomplished in more than eight years, and we believe we have earned the trust of our passengers, our neighbours and the city, and the citizens of Toronto.

Thank you very much for your attendance today.

Note of Appreciation, by M. J. Perry, President and Owner, Mr. Discount; Director, Empire Club of Canada

For those who know me, it might seem strange that I am the one who has been asked to thank Mr. Deluce because I am the one on the board with the arts and social concerns interest, and not usually business; however, I heard Mr. Deluce was going to grace us with his presence again, and I was ecstatic. This is the man who proved to Canadians that you can fly, and there is something between first class and steerage.

I am absolutely delighted to have him here again and to give a thank you, and I wanted to share one personal experience with Porter: A few years ago, my godson was getting married in Boston, and his mother who lives here in Toronto and my son and I were going to make it a fun motor trip, and then I went out bicycling and did something that young people do all the time, but I guess I am getting old and broke my hand. And because I have a standard, I was told that I was an impaired driver, and I could not even rent an automatic. I went on the Porter website. I could not find three tickets anywhere to get where I had to go, and I phoned, and I had explained the situation, and the loveliest person who works for you said, "I don't know if I can get all three of you on the same plane, but I'll get you all there that day. Give me two hours, and I'll call you back," and she did. And we got there and all on the same flight, so your wit, your charm, your dedication to consumers—I am just ecstatic to say thank you very much for coming and joining us once again.

Concluding Remarks, by Andrea Wood, President, Empire Club of Canada

Thanks, M. J. M. J. really is the conscience of the board of the Empire Club of Canada, and so those words coming from her are very meaningful.

Before we all leave today, I would like to take a moment to thank the generous sponsors of today's lunch. Thank you to Norton Rose Fulbright, and thank you to Bombardier. I would also like to thank the *National Post* as our print media sponsor. This meeting will be broadcast on Rogers TV.

Please, consider becoming a member of the Empire Club of Canada. We would love to have you. Perks of membership include reduced ticket prices to our luncheons and advanced notice for and priority seating at events and invitations to members-only events. To make it easier for you to join right now, for the balance of this season, we are offering a special promotion: If you join now, we will throw in a lunch on us. To learn more about membership and about upcoming events, visit us online at www.empireclub.org. You can also follow us on Twitter @Empire_Club. Please, join us again soon. This meeting is now adjourned. Thank you all for coming.

The Empire Club Presents

THE HONOURABLE BRAD DUGUID ONTARIO MINISTER OF ECONOMIC DEVELOPMENT, EMPLOYMENT AND INFRASTRUCTURE:

OPPORTUNITES AND CHALLENGES FACING ONTARIO'S ECONOMY TODAY AND INTO THE FUTURE

May 4, 2015

HEAD TABLE:

Distinguished Guest Speaker:

The Honourable Brad Duguid, Ontario Minister of Economic Development, Employment and Infrastructure

Guests:

Ms. Tina Arvanitis, Vice President, Government Relations and Communications, Ontario Energy Association; Director, Empire Club of Canada
Mr. Steve Baker, President, Union Gas Limited
Mr. Andrew Bevan, Principal Secretary, Office of the Premier of Ontario
Mr. Pelino Colaiacovo, Managing Director, Morrison Park Advisors
Mr. Ted Griffith, Senior Consultant and Principal, Campbell Strategies; Vice President, Empire Club of Canada
Mr. Bob Huggard, President, Ontario Energy Association
Mr. Terry Nemeth, Vice President, Public Sector Sales for Ontario, TELUS
Mr. Norm Ryckman, Director, Market Development and Sales, Enbridge Gas Distribution
Mr. James Scongack, Vice President, Corporate Affairs, Bruce Power
Mr. Tim Smitheman, Manager, Government and Public Relations, Samsung

Renewable Energy Inc; Director, Empire Club of Canada
Councillor Michael Thompson (Ward 37 Scarborough Centre), Chair, Toronto's Economic Development and Culture Committee, City of Toronto

Welcome Address by Ted Griffith, Vice President, Empire Club of Canada

We are going to be going directly into the speech this afternoon, so right now I would like to introduce our guest speaker. Please, welcome Mr. Bob Huggard, President of the Ontario Energy Association. Bob will formally introduce our guest speaker. Thank you.

Introduction, Bob Huggard, President, Ontario Energy Association

Thank you, Ted, and, good afternoon, everyone. The OEA is pleased to be a co-presenter of today's program, and so it is my privilege to introduce our keynote speaker today, the Honourable Brad Duguid, Ontario's Minister of Economic Development, Employment and Infrastructure, as well as the minister responsible for the Accessibility for Ontarians with Disabilities Act.

The minister is not only a familiar face to all of you in this room. He has been a strong presence at Queen's Park and in political circles throughout the city and country for a long time. While work and politics are big parts of his life, Minister Duguid's passions extend far beyond the world of

Queen's Park. He is a passionate hockey fan, who enjoys all levels of hockey played around the GTA just as much as an NHL game. The minister has invested a lot of time in his love for hockey this past season, as part of the travelling cheering section for the Toronto Jr. "A" Canadiens, for whom one of his sons is a forward. We are a bit of competitors: I was with the Toronto Marlies for a while, so we will talk about that later.

As we think about Minister Duguid and his impressive political career, perhaps, we should consider his time at Queen's Park the way we would think of a talented professional hockey player who only continues to improve his craft over time. Minister Duguid's previous cabinet posts are impressively varied and speak to the confidence two successive premiers have placed in him.

He has served as Minister of Training, Colleges and Universities; Minister of Economic Development, Employment and Infrastructure; Minister of Aboriginal Affairs; and, notably, as Ontario's Minister of Energy, where he completed a key piece of policy important to many in this room—Ontario's first long-term Energy Plan. His success in these roles and the continued confidence the Liberal team at Queen's Park places in him underscores why Minister Duguid is a strong voice at the cabinet table and that he is willing to fight for the things he believes will make this province a more prosperous and compassionate place for all Ontarians.

With that, ladies and gentlemen, please, join me in welcoming to the stage the man tasked with continuing to help grow our strong provincial economy, Minister Brad Duguid.

The Honourable Brad Duguid

Bob, thank you so much. That was one of the most creative introductions I think I have ever had. I do not know if you want your speaking notes still because I might start going onto yours if we are not careful, and I have to tell you that, before I go any further, my Parliamentary Assistant and the MPP for Ottawa/Orleans—Marie-France Lalonde is here somewhere. There she is. Please, give her a round of applause. She has a small business background, so she gets where a lot of you folks in this room are coming from. And she is a very, very strong Parliamentary Assistant and helps me in just about everything I do when it comes to our business initiatives, so Marie-France, thank you, for joining us today. And Bob, I did not know we would be talking about hockey, but I could spend the next hour talking about it if you want. Playoffs are here, and we could start talking about hockey a little bit, or we could start talking about the economy.

My concern is I did not know till I got here that I would be at a table with Union Gas, Enbridge, the Ontario Energy Board, Bruce Nuclear—it sounds like I should be talking about energy today. And I have got to tell you, I did not have energy in my speaking notes at all, so, let me just start out by saying energy is one of the most important sectors in our economy, and you cannot talk about the economy if you are not talking about energy. But that is a speech for another day because it deserves a whole complete speech unto itself, Duncan, so no worries: I still love energy, and I am a former energy minister, so that is something that you carry with you. Trust me, you carry it with you the rest of your life, one way or another.

I am delighted to be here, speaking here at the Empire Club. I do not think I have had this opportunity before. It really, really is a privilege. Some of the influential speakers of our time have graced this podium. And I think of some of my personal heroes—Pierre Trudeau, who just was my true hero and somebody who motivated me and inspired me to go into this business in the first place and Sir Winston Churchill—stood at this podium as well. I assume it was a different podium in those days, but it was still the Empire Club. It goes back a hundred years, so what an honour it is to be able to speak to you here today.

I have got to tell you that I often think about how I am going to open up and what kind of joke can I tell or something like that, but it is May 4th. We are at the Empire Club on May 4th, so you are starting to get it, and just as Yoda said to the young Jedi, let me also say to all of you— altogether now—may the 4th be with you and our economy!

So in keeping with the Empire theme, let me quote directly from the movie, which I think most of you will have seen—you are all old enough to have probably seen it in the original production, when Yoda said—to I believe it was a young Luke Skywalker—"this one a long time have I watched. All his life has he looked away to the future, to the horizon, never his mind on where he was." As God as my witness, I never thought I would ever be able to quote Yoda in a business speech anywhere! But today is appropriate, and I think it works.

I may not have done Yoda justice today, but the quote in some ways does convey where Ontario's looking to when it comes to our next generation economy because, as you all know, we are never standing still. We are always looking forward. Always looking for ways to compete in today's fiercely competitive global economy. In fact, the three pillars of our government's economic strategy reflect exactly that. We are investing in our people, and you know that. We are investing in building modern infrastructure, a key component of our last budget, and we are building a dynamic business environment which is also truly, truly important. And the good news is it is working. Not only have we created 424,000 net new jobs since the global recession, Ontario remains number one in North America when it comes to attracting foreign direct investment and that is for the third straight year. That tells me something. It tells me we have a plan in place and that plan is working.

Now, a testament to the work we are doing to make the right investments in our people, is the fact that we have the highest level of post-secondary attainment anywhere in the OECD. That has helped us build one of the most skilled and educated workforces anywhere in the world today, and what that does is it ensures that we can compete with any jurisdiction anywhere in the world. Add that to our efforts to make Ontario an innovation leader, and that is a pretty unbeatable combination.

We are also making unprecedented investments in our infrastructure. Ontario must have reliable infrastructure in order to compete in today's modern economy. Ontario workers do not want to spend needless hours going to and from work in their cars as they commute to and from work. Gridlock is costing Ontario billions of dollars, as clogged roads impact our ability to move our people around and our ability to move goods around our province. You know, it is really easy for politicians—and I see my friend Han Dong here as well, the MPP Han, please, stand. I am sorry; I just noticed you are here today.

Let me see how I weave this into my speech. Han and I and Marie-France, as politicians, we have seen politicians for generations talk about infrastructure. It is easy to talk about infrastructure. What we need are governments that are willing to make the tough decisions to fund that infrastructure and build that infrastructure. In the past few weeks, you have seen that we have made some very tough decisions so that our government could build the infrastructure our province and our economy needs to be competitive. In all, we will invest $130 billion into roads and bridges and core infrastructure. And, yes, we will expand natural gas across this province to communities that need it. We will do that over the next ten years. That is a record investment for Ontario; that is a record investment right across Canada. We are able to do that by taking the advice of a business expert, a gentleman by the name of Ed Clark, and we are unlocking the value that has been wasted in retaining 100% Hydro One ownership.

Let me talk a little bit about Ed Clark with you for a second. He served as a deputy minister in Ottawa. He is one of the most respected business leaders anywhere in North America. Now, during my time in office—and it has been 20 years now—one thing I have learned is that when you are dealing with complex issues, the number one thing you can do is get the best possible advice. And that is what we have done by bringing Ed Clark on. The second thing you have to do—and this is important—is you have to have the courage to take that advice, and sometimes it does take political courage to do the right thing, to do what is best.

As you know in Ontario, we are very, very fortunate to have a premier in Premier Wynne who has that political courage; and she has demonstrated that in the budget that we have recently released in the last few weeks. Let me be very upfront about this: Broadening ownership in Hydro One has not and will not be easy politics for us, but the business argument that Ed Clark has made is absolutely irrefutable, so we are taking Ed Clark's advice. We are making a smart business decision to maximize the value of Hydro One, and we are investing and building up our infrastructure to make us more competitive. That is the right thing to do in this province at this time. It is a courageous thing to do, but it is something that is going to help us build that next generation economy, so I am very proud to be working with the premier and a government that is moving in that direction.

Now, we all know that Ontario was hit hard by the recent recession. I believe that one of the reasons that Ontario is outpacing other jurisdictions is the fact that we have built our strategy by taking the advice of our business community, and we have done that on a continual basis. That has enabled us to build a very strong climate for investment, and it is the reason we are number one in North America when it comes to foreign direct investment.

Let me share with you a few tangible examples of where we have done that. As a government, we have actually been through twelve budgets, and in the lead up to every single one of those budgets, we have heard this nagging voice from the left saying every single time, "Raise corporate taxes. It is the answer to everything. It will solve all of our problems." I am really proud to be able to tell you today that 12 out of 12 times we have shot that uninformed voice down because it is wrong, and it is misguided. A competitive tax environment is absolutely crucial to maintaining our competitive edge when it comes to attracting investment, when it comes to creating jobs, and when it comes to growing our economy. The fact is a strong economy is really a prerequisite to building a strong society and a great quality of life for ourselves and our families. So, today, I want to assure you, that our government is still very much committed to keeping our competitive advantage as the jurisdiction with the lowest effective corporate tax rates in North America—something that gives each and every one of the corporations, small and large businesses in this room, a competitive advantage.

Now, what does that mean to your bottom line? Well, for example, for an average Ontario company, that means you are paying a full 13.5% *less* than your American neighbours in taxes. That is real savings for your company. That is a significant competitive advantage. You know, I do not think we do a good enough job in talking that up both inside Ontario and outside Ontario. I think we really need to talk about that more. We need the world to know that we have that low tax environment here in Ontario. And so, today, I assure you that as long as we are the government, we will not be swayed by those voices to the left. We will remain committed to ensuring Ontario maintains our competitive tax environment. I really feel passionate about that, and I know Councillor Michael Thompson does as well—he is nodding his head in front of me. I am going to talk about

Michael in a minute.

I want you to know as well that we continue to listen very closely to what our business community has to say. Your advice is extremely important for us; for example, we have heard loud and clear that our business community is very, very passionate about the need for us to get our fiscal house in order, and it should be a priority. I want to assure you that it is. We have taken action, and we are making great strides on our path to balance. Ontario's fiscal situation is improving. For the third year in a row, we have beaten all of our deficit targets, and I am proud to say that we are not balancing the books on the backs of our businesses; and we are not balancing the books on the backs of Ontario's families either. What we are doing is we are making smart fiscal decisions, and we are managing our spending decisions. That is how to do it. So we are taking your advice. We are tackling our deficit in an aggressive way but in an intelligent way. And we will succeed.

Let me share with you another example of how we are effectively working in partnership with our business sector. Businesses in Ontario have helped to grow our exports for many, many years, but they are asking for help in doing that. They want to access some of those emerging markets. The Ontario Chamber of Commerce has been an effective champion in encouraging small and medium sized businesses to think globally; and so, in partnership with the Ontario Chamber of Commerce, we have developed a growing global strategy which will help small- and medium-sized businesses identify and access global markets, which is really, really critical. Through the Jobs and Prosperity Council, we have brought together the best and the brightest from our business sector, and we were told that accelerating the deductions for investments in machinery and equipment was the most effective way to encourage investment in productivity improvements. We listened, and we acted on that recommendation, and I am pleased to report that this year's budget extends that program for another ten years. This will provide $265 million every year to encourage investments that will lift up our productivity and make Ontario companies more globally competitive. Through the Better Business Climate Act, we are working very closely with the Toronto Region Board of Trade to strengthen the Ontario clusters, which we see as a great competitive advantage. I want to thank the Toronto Region Board of Trade for their leadership in this area and for helping to drive forward with our government on this very important strategy.

Let me give you another example of our willingness to seek good advice and act on it. We have seen, since November, $4 billion in investment in Ontario's auto sector. And, while the sector is experiencing record sales, the fact is that the global auto industry is becoming increasingly competitive, and we need to step up our efforts to retain and attract more investment. I recently sat down with CAPS, a group made up of near our entire auto sector, and they unanimously recommended that Ontario consider creating an expert auto advisor. This will ensure that we have the inner industry intelligence we need to inform our efforts to land future auto mandates. And I am pleased to say, once again, that we are taking the advice of our business partners, and I am looking forward to implementing that advice very soon.

Here is something else that I have heard from our business community, and I have heard this throughout the years right across our province: While you appreciate our efforts to build a competitive economy, sometimes what governments need to do is to simply get the heck out of the way. Our government is working in an unprecedented way to reduce regulatory burden. To date, we have changed or eliminated 80,000 regulatory burdens. That is about 17% of our regulations that we have gotten rid of, and we are on track to save businesses $100 million by 2016/2017.

The Better Business Climate Act also requires our government to report on our reductions in business burdens on an annual basis, so that is going to hold our feet to the fire and future government's feet to the fire when it comes to this. Now, this was not something we thought up on our own. This was something we received, advice we heard from the Canadian Federation of Independent Business. I think some of them are here today, at one of the tables. And we responded to their request by taking this action, and they have reciprocated by responding to our requests and our action by raising the province's business rating on their annual report card across the country to a B+. I think that is tied in the country with one other province as the top marks in the country. Now, to be honest, when I came home from high school with a B+, my parents would say, "Brad, that is not bad. That is pretty good, but we think you can do better." Well, I want you to know that I think Ontario, too, can do better. Our Open for Business strategy has been a global best practice in reducing unnecessary regulatory burden, but I think we can do even more.

My assurance to you today is that we are going to expand our Open for Business strategy with new initiatives that will positively impact businesses here in Toronto and right across our province. First, we are going to look into creating a Red Tape Challenge for Ontario. This would be modeled after the successful UK program, which featured an online forum that invites businesses to engage with government in a meaningful way on how to reduce regulatory burden. Let me tell you why I think this is important. You know, when it comes to our discussions with the business community and our efforts to reduce regulatory burden, I tend to talk to many of the people in this room: Stakeholders, direct representatives of industries, the companies, the bigger companies themselves, but I do not get an opportunity to reach out across the province to every business person in this province that wants to engage with us. This opportunity, this new program, will give us an opportunity to do that. This initiative opens up our efforts to all Ontario businesses who wish to engage. By engaging online, the government is able to source knowledge and feedback from any sector in any corner of our province in an open and transparent way. Now, it is going to take some time to get this program up and running, but this idea really excites me because I think it is going to be an extremely valuable program here in Ontario, as it has been in other countries around the world.

Now, the second action that we will be taking is something that I and others have been thinking about for a very, very long time. One of our challenges in staying competitive is the fact that we have three levels of government in this country, with three levels of bureaucracy, and three levels of regulation, and I know that that drives some of the businesses in this room absolutely crazy. From inspectors to accountability reporting requirements, businesses tell me that there is plenty of duplication between our different levels of government. The number of contacts a small business has to make with government each and every day, week or year, makes me wonder sometimes how they can carry on their day-to-day businesses. Politicians have often talked about trying to sort through these inter-governmental regulatory burdens, but, until today, I have yet to see any real progress made on this.

Well, today, we have a wonderful alignment between a provincial government determined to reduce unnecessary regulatory burden, and a new city of Toronto mayor in John Tory, who shares that passion. And so, today, I am pleased to announce a brand new proposal to create for the first time, a joint working group between the province of Ontario and the city of Toronto to explore, identify and reduce unnecessary regulatory burden. I think it is about time that we did that.

And this is the start of what I would call a new Ontario "red-tape reduction partnership." I really am excited about this, and I want to give you an example of how that would affect a small business. You look at a small business like a dry cleaners; they are required to report the use of chemicals to all three levels of government. This adds three times the necessary burden to small businesses, and this duplicate of reporting is the kind of thing we are talking about. It may not be seen as important to us here today, but to that dry cleaners, that takes them away from their core business. I mentioned Michael Thompson. He is the councillor for Scarborough Centre and the Chair of the Economic Development and Culture Committee for the city of Toronto. Michael, I have worked with you for many, many years. You are a fantastic voice here in the business community. I want to thank you and Mayor Tory for working with us on this initiative. Michael, please, stand up and, please, give Michael a round of applause. It is this kind of partnership that really makes a difference in this city. And Michael, we are going to work together, and we are going to reduce that regulatory burden, that inter-governmental burden that drives the folks in this room absolutely crazy. We are also going to include a representative from the Association of Municipalities of Ontario because while this is starting out as a Toronto-Ontario initiative, the things that we learn when we come to the table will often be things we can extrapolate right across this province, so we will have a representative of AMO sitting there with us and looking for ways that we can spread the good ideas that we come up with right across Ontario.

Now, when you think about it, is that not a refreshing change? Is that not refreshing to see how challenges can be addressed when you have a premier and a mayor, when you have a provincial government and a city government able to work together to build a strong economy? I think that is so refreshing to see! And, Michael, I thank you and the mayor, and I thank our premier for making that happen. It really is great. I think it is great for these folks to see as well.

As most of you here are aware, this is my second tour of duty as minister of economic development. I want to share with you this. If there is something, one thing I can be remembered for, I hope it would be this: That by the time my role as economic development minister is done, that I was a minister who listened to the business community, who understood the challenges of competing in an increasingly competitive global economy, and it took every action to build the most competitive, business-friendly jurisdiction anywhere in North America. That may be ambitious, but I firmly believe that we have an opportunity today to do just that. So let us start today.

My ultimate goal is to make Ontario the easiest place in the world to do business. According to most economists, Ontario is poised to lead our country in growth over the next number of years. I firmly believe that Ontario has potential to be North America's powerhouse economy, and I see no reason why we cannot reach that goal. But for this, we will need to continue to work together to strengthen and build up our business clusters. From ICT to agrifood; from cleantech to aerospace and, of course, to energy; from bioscience to financial services; from auto to advanced manufacturing—these are all sectors that we rank in the top two or three in North America.

We will also need to work together to invest and mobilize our talent. Not just our global leading university and college graduates—as great and talented as they are—and not just our skilled trade workers who are among the best anywhere in the world, but also those sectors of our talent that are often overlooked: People with disabilities and Aboriginal communities. We will need to work together to have the courage to not only commit to modernizing our infrastructure, but to taking the necessary steps to fund those critical investments. We will need to work together to make Ontario the easiest and friendliest place to build and invest; and we will aggressively tackle and eliminate unnecessary red tape and regulatory burden. We must do this to maintain the fact that we want to have one of the most competitive economies anywhere in the world. And to do that, we must maintain our competitive advantage of our low corporate tax advantage. Together, we can and we are building a globally competitive economy that will serve our aspirations today and that each and every one of us here in this room and across this province will be absolutely proud to pass on to future generations.

Once again, may the fourth be with you, and, thank you, all, very, very much for joining us here today. Thank you.

Note of Appreciation, by Steve Baker, President of Union Gas

Minister, on behalf of the Empire Club of Canada and the Ontario Energy Association, I just want to thank you for joining us here today. Your speech was very informative, very engaging, and I dare say, certainly, very passionate. You know, you may not have built a lot of energy-related references in your remarks—although, I did hear a couple—but you started with four things that I think are equally applicable not just to the business environment, but to the energy sector: You talked about the government's focus on people, on infrastructure, on improving our competitive position, and last, but certainly not least, on reducing regulatory burden. And I know in the energy sector all four of those things are stuff that we focus on each and every day, so your remarks were very, very appropriate.

Most importantly, I wanted to take the opportunity to thank you for really being the voice around the cabinet table in terms of all of us that are here today, all the businesses that are here and represented. I know that is very, very appreciated. So, ladies and gentlemen, please, join me in a round of applause, again, for Minister Brad Duguid.

Concluding Remarks, by Ted Griffith

Thanks Steve. Now, this is about the end of us getting in the way of your lunch. I never like to be the man who has to do that, so, quickly, we are going to wrap up and get to our lunch.

I would like to thank the *National Post*, as our print media sponsor, and, thank you, Van Valkenburg, for providing our audio-visual facilities.

I would ask you each to consider becoming a member of the Empire Club of Canada. It is, as I say, a 112-year-old organization. When you are a member you get advance notice for luncheons, advance opportunity to buy tickets, a discount on tickets, and, most of all, this year we have a special promotion between now and the end of the year: If you become a member, between now and the end of our season, at the end of June, we are going to buy your lunch. We will give you a free lunch ticket, and then you will be all set up to enjoy the next season coming up, when we will have some great speakers coming up, including the Governor of the Bank of Canada and a couple of people with whom I have already spoken that might be in this room, but I will not announce their names because we have not got the date yet. We have a great season coming up in 2015/2016, so, please, join us and become a member and receive all the benefits.

Thank you very much, and I think we need to have lunch.

The Empire Club Presents

DR. MERIC GERTLER
PRESIDENT, UNIVERSITY OF TORONTO:

FOUNDATIONS FOR CANADA'S PROSPERITY: SIGNPOSTS AND DIRECTIONS

May 22, 2015

HEAD TABLE:

Distinguished Guest Speaker:

Dr. Meric Gertler, President, University of Toronto

Guests:

Mr. Kawin Ethayarajh, BMO National Scholar, Current Third Year Student, Computer Science Specialist, University of Toronto

Ms. Lorina Hoxha, BMO National Scholar, First Year Student, Munk One Program, University of Toronto

Mr. Tim Kocur, Communications Manager, Toronto Financial District Business Improvement Area

Ms. Signe Leisk, Partner, Cassels Brock & Blackwell LLP

Professor Scott Mabury, Vice President, University Operations, University of Toronto

Ms. M. J. Perry, Vice President and Owner, Mr. Discount; Director, Empire Club of Canada

The Honourable Vivienne Poy, Chancellor Emerita, University of Toronto

Ms. Andrea Wood, Senior Vice President, Legal Services, TELUS; President, Empire Club of Canada

Welcome Address by Andrea Wood, President, Empire Club of Canada

It is my privilege today to welcome Dr. Meric Gertler to our podium. Dr. Gertler is the 16th president of the University of Toronto, Canada's top institution of higher learning, I can say, as an alum. It is number 14 internationally across all universities, according to the U.S. News and World Report: Best Global Universities Rankings for 2015. This alone would make Dr. Gertler well-qualified to speak with us today about Canada's prosperity.

As many of you know, the University of Toronto has a long history of using higher learning to drive innovation and, by extension, prosperity. In addition to having made significant contributions in the areas of literary criticism and communications theory, according to Wikipedia, and everything I read on the internet, the University of Toronto was the birthplace of insulin and stem cell research. It is the site of the first practical electron microscope, whatever that means, and of the development of multi-touch technology. U of T was the first to identify Cygnus X-1 as a black hole. Sounds pretty cool.

In addition to leading this august institution, Dr. Gertler is an authority on how social and cultural dynamics within cities create foundations for economic success and prosperity. At the Monk School of Global Affairs, he is a co-founder of a large research program investigating the role of city regions as sites of innovation and creativity, and he has served as an advisor to local, regional, and national governments in Canada, the U.S. and Europe, as well as to international agencies, such as the OECD and the EU.

He takes very seriously the "publish or perish" ethos and has authored or edited seven books, and he has held numerous prestigious academic appointments and won numerous academic awards. You do not want to hear the list, but it is very, very impressive. In other words, we could not have a better guide to the topic of Canada's prosperity.

Ladies and gentlemen, please, join me in welcoming Dr. Meric Gertler.

Dr. Meric Gertler

Thank you. Good afternoon. Thank you, Andrea, for that wonderful introduction. I am so grateful to you and the Empire Club of Canada for this opportunity to address such a distinguished gathering. I am also grateful to Tim Coker on behalf of our sponsor, the Carpenters and Allied Workers, Local 27, and also to M. J. Perry, Vice President of Mr. Discount Limited for sponsoring a table of students, the constituency that very much represents the foundations of Canada's future prosperity.

It is also lovely to see such a wonderful turnout, including so many friends and colleagues and familiar faces. Let me extend an especially warm greeting to the Honourable

Vivienne Poy, Chancellor Emerita of the University of Toronto. Vivienne, it is lovely to have you here with us.

Ladies and gentlemen, I am, indeed, honoured and delighted to be speaking to you today. This Club has such a long and esteemed record of hosting important discussions about our country and its future direction, and, it is in this spirit that I wish to offer my remarks this afternoon.

My main argument is a simple one: At a time when our traditional sources of prosperity are being challenged by both cyclical and longer-term change, we need to instigate a local, provincial and national conversation about where our prosperity will come from, and I am going to explore one possible answer this afternoon. Canada's cities are building the foundations of our nation's future prosperity. Although there is growing recognition of urban regions as the sources of our prosperity, I will argue that their importance remains underappreciated in Canada. To position our country for success in the future, we will have to focus our collective efforts on identifying our most promising assets, both sectorally and geographically, and then leveraging them fully.

In support of this argument, I am going to make three points this afternoon. First, the geopolitical landscape is changing quickly, and the impact on Canada has been and will continue to be profound. Second, around the world, urban regions are increasingly recognized as national assets driving innovation, well-being and prosperity. I will explore this idea using an example that we all know well. Third, this has important policy implications for Canada, and I will make a few suggestions for how we might respond.

Let me start at the beginning. We live in a world of rapid change, and Canada has certainly not been immune to these powerful forces. While we fared better than many countries during the last great recession, our recovery has been slow and uneven. Recently, our economy and our dollar have been buffeted by the plunging price of oil. The reverberations continue to play out daily, but we are learning once again how perilous it is to rely too heavily on a single dominant source of growth and prosperity. Indeed, because of declining oil prices, the OECD recently revised their global GDP projections and predicted faster growth in many of the world's leading economies in 2015 and 2016 but slower growth in Canada, as you can see from this chart.

Now, here in Ontario, there is hope that the recently devalued Canadian dollar will spur a resurgence of our manufacturing export economy. Thus far, I would have to say that the evidence of such a recovery remains elusive, which is, perhaps, not surprising since such adjustments take time, especially, in a world of currency hedging. But, we have learned from past business cycles that a low dollar on its own does not constitute the basis for long-term, sustainable, economic growth.

Our automotive sector is a case in point. Automotive investments in Canada totalled about $750 million U.S.

last year, and automotive production rose accordingly. This was cause for some optimism. At the same time, manufacturers of cars and auto parts invested a monumental $7 billion U.S. dollars in Mexico, much of it going towards the construction of seven new assembly plants. This year, Toyota has decided to move production of the Corolla from Ontario to a new $1-billion plant in Mexico, and we learned recently that GM is relocating Camaro production from Oshawa to Michigan. So, despite last year's increase in Canada's automotive output, our share of North American vehicle output shrank to 14% as Mexico's share climbed to nearly 20%. You should know that Mexico was at just 3% in 1987. So, while automotive assembly and parts production, particularly, in the higher end segment of the market, will remain important components of Ontario's economy, the longer-term prospects for this sector are somewhat unclear, given the dramatic southern shift in the centre of gravity in this industry.

Given the obvious risks associated with relying on oil to power our economy and the uncertain prospects facing our traditional manufacturing heartland, it seems obvious to be asking ourselves a larger, existential question: Where will the future prosperity of our city, province and nation come from? It is here that I suggest we turn our gaze towards our cities and the sectors that are driving the economies of our major metropolitan regions. Most obvious among these, particularly, in the case of Toronto, are our financial services, which have long been an important pillar of our regional economy. Our banks, in particular, have fared well coming out of the last recession, and Toronto has emerged as the world's leading centre for mining finance and one of the world's most important centres of expertise in the management of long-term assets, such as pension funds. More recently, this sector has spawned the emergence of innovative financial software and applications companies, known collectively as fintech.

Then, there is the burgeoning creative economy composed of a diverse array of sectors, such as film and TV production, fashion, food, digital media, visual and performing arts. We might also add tourism to the list. And as you can see from this slide, The Hulk recently visited Toronto, evidently, mistaking it for New York. Closely related sectors, such as information and communications technology and services, should also be acknowledged for their importance.

Now, these economic activities all share one interesting and important characteristic: They are fundamentally *urban* activities. They thrive in the rich and stimulating environment provided by metropolitan regions, such as Toronto, Montréal, Vancouver, Calgary and other major cities across the country.

Now, the literature on the economic geography of innovation confirms what entrepreneurs, venture capitalists and creative types seem to know instinctively: Cities are privileged sites for innovation, entrepreneurship and the flourishing of ideas and opportunities. The forces underlying this connection are many and varied. By providing interesting and important problems to solve, cities naturally stimulate the development of new ideas or products to address them. Cities offer a deep pool of specialized services and well-educated human capital that support entrepreneurship and the development of new products. Indeed, the most talented, creative and entrepreneurial members of the labour force prefer to live in urban settings offering a high quality of place and cities that are culturally vibrant, safe, physically appealing—with good schools—and open to newcomers and new ideas.

Such cities also foster the circulation of knowledge among firms, including those in the same industries, as well as those in seemingly unrelated industries. The capacity for cities to facilitate such knowledge spillovers and localized learning provides tremendously fertile conditions for innovation, even in a time when information technologies make it easy for information to be shared instantly over long distances. This is one of the most interesting paradoxes of our time.

Importantly, these same cities are increasingly interconnected. Bringing ideas, opportunities and energy to the local milieu, urban regions are gateways to other centres of knowledge production around the world.

So, let us now take a closer look at a place that we all know well: Toronto. And let us look at another one of its emerging and yet still very much underappreciated economic pillars. Many are surprised to learn that the Toronto region is home to the third largest biomedical cluster in North America, trailing only San Francisco and Boston. It is striking not only because of its size, but also its diverse composition with research strengths in everything from immunology and vaccines to cancer care, children's medicine, cardiac science and brain research—and this slide gives you just a sampling of those many strengths. Moreover, it hosts a large and dynamic collection of firms in biomedical technologies and devices in diagnostics, imaging, testing, and assistive devices. This kind of diversity has created unparalleled opportunities for convergence across these individual areas of strength to produce unique and highly innovative new activities.

Underpinning this cluster are several key, foundational assets. The University of Toronto is the primary research and teaching hub, home to the country's largest faculty of medicine as well as the full range of health science faculties: Nursing, dentistry, pharmacy, public health, social work and more. Add to this the Institute for Biomaterials and Biomedical Engineering and the Donnelly Centre for Cellular and Biomolecular Research, two remarkably interdisciplinary research and teaching centres that draw on our convergent strengths in medicine, engineering, dentistry, cell biology, computer science, chemistry, physics and related fields.

Together, these faculties, along with our Mississauga Academy of Medicine, anchor a phenomenal health sciences network that includes our nine, fully affiliated partner hospitals, which have stellar global reputations for their own strengths in research, education and clinical practice, as well as many other community affiliate hospitals in the region.

Accelerators, incubators and innovation hubs—chief among them the MaRS Discovery District, MaRS Innovation and the Centre for Commercialization of Antibodies and Biologics—provide space, support services, access to capital and a nurturing environment for startups in a broad array of sectors. MaRS Innovation alone provides vital connective tissue that links together 15 universities and research hospitals in a single commercialization ecosystem. So, Toronto is at the heart of a biomedical cluster with few equals in the world.

How does one measure the significance, the importance of this cluster? Well, one obvious way to benchmark its strength globally is through the scale and impact of its research. So, in all the health and life sciences, only Harvard University publishes more research than U of T and its affiliated hospitals. And when it comes to impact, publications from the University of Toronto are cited more frequently than research from all other universities, except for Harvard and Johns Hopkins.

Another way to appraise research quality and performance is by looking at who our researchers partner with and how frequently. Now, there are good reasons to believe that such metrics and such connections are becoming increasingly important. A recent editorial in *Nature* argued that collaboration between researchers on a global scale is becoming essential in fostering scientific progress. Moreover, in this age of growing global collaboration, excellence seeks excellence, so elite national universities are also leading international collaborators, and the data behind this idea are also absolutely striking.

So, here is an interesting picture. This is a network graph of the most frequent international collaborators among the world's top ten research-intensive institutions, as measured by overall publication count. The dark blue circles that you see in the middle of this diagram represent the institutions with the greatest number of scholarly publications between the years 2000 and 2014. The size of those dark blue circles is proportional to the number of publications produced by each institution in all fields. As you can see, the University of Toronto is second in the world only to Harvard. The lines connect each of the top ten institutions to its top ten international collaborators, and the thickness of the lines that you see on this graph is proportional to the number of co-publications. What you see here is that the prominence of elite research groups is so evident. Notice how often the same institutions are interconnected and collaborating with one another. We can regard these institutions as central nodes in a global knowledge-producing network.

Why does this matter? Quite obviously, in Toronto, Boston, London, Los Angeles, and Tokyo our present and future prosperity depends on our ability to access and use knowledge—not just the knowledge that we produce locally, but also knowledge that is produced in other leading centres of research and innovation around the world. Our collective prosperity hinges upon this collaboration. Hence, the University of Toronto and its teaching hospitals serve as vital portals to global knowledge networks bringing important benefits to Toronto and Canada.

A recent paper and a handbook of creative cities captured this idea succinctly in saying that well-connected research cities are likely to be important cities in the global economy, that nodality in research often corresponds to nodality in other parts of the economy. In other words, well-connected, globally-networked centres of knowledge production are increasingly coming to the fore as the world's leading economic centres. Venture capital and other forms of mobile investment now seek out these special places and the opportunities that are signaled by their world-leading research and talent.

And again, the evidence is compelling. So, these data show the top 25 urban agglomerations by the number of research publications produced for the period 2011 to 2013. Notice how consistently this list includes the world's most dynamic, metropolitan economies.

On the global stage, public policy in many countries has moved increasingly to exploit this intimate connection between cities and a nation's capacity for innovation, resilience and long-term prosperity; for example, in the U.K., a few years ago, the Cameron government created a Minister of State for Universities, Science and Cities. Think about that for a moment: A cabinet-level position with a mandate for universities, science and cities.

Now, against this global backdrop, our own efforts in Canada are improving, but still pale in comparison. Within a constitutional framework that renders cities as creatures of the provinces, federal intervention is sporadic and piecemeal and has resisted the fundamental idea of tying investments in innovation-generating activities to investments in our major city regions.

So, what does all this mean for Canada's future well-being and sources of prosperity? This leads me to the final part of my remarks, a few suggestions for public policy. First and foremost, we need to rethink our approach to innovation policy by acknowledging that those activities with the greatest innovative capacity are not evenly spread across the national landscape but are, instead, concentrated in a relatively small number of our urban regions. Public investments designed to stimulate innovation ought to be similarly concentrated, rather than allocated in a diffuse and overly dispersed way.

In a world of highly globalized production systems and supply chains, the only reliable path to sustained prosperity is to focus on those activities whose competitive advantage is difficult to replicate in other regions or by other firms. Therefore, the goal of economic development and innovation strategy should be to enhance and to support those firms, those sectors and those urban regions that possess unique capabilities, competencies and innovative capacities.

The implication of this analysis is clear. Canada needs to provide more thoughtful, strategic support for its urban regions. We need to craft public policies locally, provincially and nationally that leverage more fully the inherent potential of our leading city regions. Transportation funding, housing support and other investments that enhance the livability and the functional efficiency of our cities are the obvious places to start. The commitments made in this year's Ontario and federal budgets to invest in transportation infrastructure represent a welcome start. But, we have many years of underinvestment to make up for.

Second, international connections, partnerships and openness are vital. We need to foster more international collaboration between universities, but also for industry and for municipalities. These are the global networks that will contribute immeasurably to our success. In this spirit, we need to capitalize on the remarkable allure of our leading city regions when it comes to attracting and retaining talent from around the world. That means continuing to promote immigration as Toronto and Canada have done for generations as a key feature of our economic resiliency, our cultural vibrancy and our quality of place. Toronto is already the world's most ethnically diverse urban region, and this has benefited our city tremendously over the course of our history. While we have a strong legacy here, we need to improve opportunities for new Canadians and facilitate career transition, as well as credential recognition and recertification. It also means attracting more international students, faculty and researchers at every level who open doors with new ideas and connections, whether they stay and become Canadian citizens or return home as ambassadors for Canada.

The rising global stature of institutions, like the one I have the privilege to lead, enables us to attract stellar applicants from around the world in astonishing numbers. For the good of the city, the province and the country. We need to do everything possible to leverage this potential of global influx of talent, rather than putting up barriers.

Third, Canadian innovation policy should stimulate investment in business R&D, an area in which Canada routinely places near the bottom of the OECD rankings. When industry invests in research, it builds a region's capacity to absorb and harness the knowledge, discoveries, and, most importantly, the highly qualified personnel being generated by the higher education and advanced research sectors. The world's most innovative regions host ecosystems where scientists, entrepreneurs, venture capitalists and industry leaders translate research into prosperity.

Now, in the Toronto region, such an innovative ecosystem is just beginning to flower, but it needs active cultivation. As it grows, it will be a powerful complement to the remarkable flourishing of entrepreneurship that we are witnessing. In fact, over the past decade, the faculty, staff and students at the University of Toronto have been at the heart of one of the fastest growing entrepreneurial clusters on the continent. And, since 2010, as you can see from this chart, no single university in North America has helped create more startup companies than U of T and its partner hospitals.

Now, if we focus our analysis just on the biomedical and related fields I mentioned earlier, we see that our long-established research strength is having an important impact on the region already. Indeed, Toronto is especially strong in the burgeoning and incredibly promising field of stem cells, regenerative medicine and biomedical engineering, and this is no accident since, as you heard in our introductions, stem cells were originally discovered right here in Toronto. U of T researchers Ernest McCulloch and James Till uncovered the first evidence of pluripotent stem cells on a Sunday afternoon back in 1960 and published their results in 1961.

I have already mentioned the key role played by MaRS in this landscape, and its activities are supplemented by a number of more specialized incubators and accelerators in the region; for example, the Centre for Commercialization of Regenerative Medicine, housed in U of T's historic Banting Institute, provides access to early-stage capital and centralized research infrastructure to support the commercialization of discoveries in the field of stem cell and biomaterials-based products and therapies.

Among the more noteworthy, biomedical startups in Toronto is Xagenic, a molecular diagnostics company and 2015 Life Sciences Company of the Year. U of T pharmacy professor, Shana Kelley, is founder and Chief Technology Officer of this company, which recently announced $25.5 million in Series B financing, bringing the total it has raised to date to close to $50 million. The lead investor, Domain Associates, is based in San Diego with offices in Princeton, New Jersey, as well.

Following a similar trajectory is ChipCare, whose handheld blood testing platform for HIV and other diseases in remote settings, is based on technology commercialized out of the lab of Professor Stewart Aitchison of U of T's Electrical and Computer Engineering Department. ChipCare recently closed its Series A fundraising round at $5 million led by Puffin Partners of Dallas, Texas.

Now, what is especially telling about these cases and others like it is that even a few years ago, the U.S.-based VC firms that made the lead investments in these companies would very likely have required them to relocate to San Diego or Dallas. But, today, the same investors consider the location in Toronto to be a valuable asset, because of the research and teaching strengths of its local universities and hospitals and the quality of our human capital.

Providing further evidence of this region's emergence as a global destination for biomedical investment capital, the structural genomics consortium led by Professor Alan Edwards, based in the MaRS Centre, recently announced a $7.5 million investment by Merck in its precompetitive, open source drug discovery research program, the latest in a string of similar investments by global pharma companies, such as Pfizer, Novartis, GSK and Janssen. Interestingly, SGC operates within a globally distributed network model with other major research centres at Oxford University and the University of Campinas in Brazil.

Announcements such as these will soon be followed by other major investments by global players in biomedical products making significant bets on the scientific research and the skilled human capital coming out of the Toronto region. As this capital and business development expertise continue to flow here, it complements and supports the blossoming local startup culture and fills in the maturing innovation ecosystem.

As an unnamed venture capital fund manager put it recently, "Ultimately, money flows where ideas flow." I cannot think of a better example to draw all of the threads of my argument together. The Toronto region's remarkable and diverse strengths are already a major force in Ontario's and Canada's prosperity.

I have argued today that we can do better, and I have made a few suggestions as to how we can build on the strengths of our cities and their great universities and hospitals to create sources of prosperity to power our future.

The story I have told this afternoon is based on the case I know best, of course, but analogous arguments could be made for our other leading metropolitan regions and universities, such as Montréal and the influence of McGill and the University of Montréal or Vancouver and UBC or Edmonton and the University of Alberta. And a more complete rendering of the greater Golden Horseshoe story would acknowledge the contributions of sister institutions, such as McMaster, Waterloo, York, Ryerson, Guelph, OCAD U and others.

So, this is not just about Toronto. It is about Canada. Canada's urban regions and its urban universities are building the foundations of our nation's future prosperity. I believe we need to instigate a local, provincial and national conversation about how best we can help them.

Thank you for your kind attention.

Questions & Answers

Q: Thank you very much, Mr. President. That was a remarkable speech. Appreciate it very much, thank you.

I want to add that a young student at U of T recently said that the Digital Age is with us. We have gone through, of course, the Stone Age, the Bronze Age, the Iron Age. We have gone through Industrial Age. We are in the Digital Age. He asked me, "Well, what is the next phase?" And I said, "Health." How do you feel about that?

MG: Well, of course, I agree given what I just have spent much time talking about. But what is exciting is it is health, but it is also digital, right? There are many fields with fundamental science related to health that are converging to create new economic opportunities that we have never seen before. The great news is places like Toronto are very deep, not just in medicine and related sciences and not just in engineering, but in computer science, in chemistry and other fields. And I think much of the excitement is going to emerge in those new opportunities, both for research and for commercializable activity that exists at the intersection between those fields. We are only just now, I think, beginning to realize that.

Q: Great. Thank you. I am Brock Carlton. I am the

CEO of the Federation of Canadian Municipalities. Thank you very much for those comments. Really, really, very nicely done. You could have been singing right off our song sheet.

For those of you who do not know, FCM is the organization that is a venue for aggregating the interests and priorities of municipal government in voicing those priorities at a national stage.

My question is this: You talked a fair bit about what happens in the universities. You talked about the cities as almost a venue or a location for these things, and I am wondering if you have any thoughts on how the relationship between a university and its host municipal government can best leverage the benefits for both to the benefit of the community stimulating innovation and ultimately benefiting the economy?

MG: How much time have you got? I have a lot to say on the subject, and much of it has already been published, fortunately. Look, it is a symbiotic relationship, and I have characterized it as that on many occasions. It is as simple as this: Great universities build great cities. But the same is also true in reverse: Great cities provide a foundation for universities to be great. So, the first step is simply to realize that intimate connection and relationship, and it takes two to tango, right. We need to move from mutual indifference to mutual engagement, and I am happy to report that, certainly, in the case of Toronto, we are making that transition. It is absolutely vital. It means that universities have to invest in the care and well-being and the improvement of their host city regions in every way that they can through their research, through their teaching, through their outreach activities. But it also means that municipalities need to be smart in recognizing and taking full advantage of the presence of the teaching and research, the higher education capacity that they have in the region to create future forms of wealth and, of course, to produce highly educated, well-educated graduates. So, it is a matter of achieving that kind of mutual engagement and understanding.

Q: **I was interested in your comments about the paradox of us living in a world where technology enables people to work remotely, and yet you believe that people need to be physically approximate to really fire on all pistons and work together effectively and innovate effectively. What are the implications of that for the university?**

MG: Right. Well, the implications are actually quite profound. So, just to sort of restate the point, it seems paradoxical to many of us that at the time when information, communications technologies are so pervasive and becoming ubiquitous and so inexpensive to use, that the importance of being there seems to be growing rather than the opposite. And we can document this actually by looking at the geography of this, and the most knowledge-intensive forms of economic activity are actually becoming more geographically concentrated over time rather than the opposite. Now, that does not mean everything is happening in one place, but it is *clustering* in those nodes, in those particular centres that offer the best conditions for knowledge production and are most attractive to the people who produce that knowledge and exchange it, hence, the sort of network of globally distributed nodes of knowledge production.

What does that mean for universities? On the research side, it means if you are not connected to those networks, you are dead, and, increasingly, those sorts of global partnerships are of such value and such importance that it is one of the reasons why I have spent a good deal of the last 18 months traveling around to places like India and China and Brazil and Israel and the United States to visit other leading centres of research production and to forge stronger partnerships with them.

For teaching, it presents us with some really interesting challenges. We just had a great conversation at our governing council meeting this week on the topic of technology-enhanced learning, massive open online courses and online learning, more generally. One of the conclusions, at least thus far—and it is still early days—is that the interactive part, the personal interactive part of teaching and learning remains important. And for universities I think it presents us with an interesting challenge and objective, which is to make sure that the personal, the in-person experience that our students have, is good enough and rich enough to successfully compete against those more online and technology-mediated forms of teaching and learning.

Note of Appreciation, by M. J. Perry, Vice-President and Owner, Mr. Discount; Director, Empire Club of Canada

Since people are confessing affiliations, I, too, am an alumni. I got my Masters of Divinity at the Toronto School of Theology, U of T, where we studied heavenly cities. But, we were also in the healing business, so this is good.

I want to thank you very much, President Gertler. You gave us an opportunity to look at ourselves and really examine those things that we sometimes take for granted, our strengths that sometimes we forget we really have and the way that is best for us to utilize them. Thank you very much for reminding us of what we can do and where we need to go and how we can all work together, both locally and globally and, hopefully, in that way, increase our own prosperity and also help the world to create it, increase it. Thank you very much.

Concluding Remarks, by Andrea Wood

Thanks, M. J. Before we all leave today, I would like to take a moment to thank the generous sponsors of today's lunch. Thank you to the Carpenters and Allied Workers Local 27 for sponsoring our VIP reception, and, thank you, to Mr. Discount for sponsoring our student table this afternoon.

I would also like to thank the *National Post* as our print media sponsor. This meeting will be broadcast on Rogers TV.

Please, consider becoming a member of the Empire Club of Canada. Bear with me, with one little pitch: The perks of membership include reduced ticket prices to our luncheons, advanced notice and priority seating at events, as well as invitations to member-only events. To make it even easier for you to join us, for the balance of this season, if you come on board as a member, we are going to give you lunch on the house. So, please, consider becoming a member. Some of our upcoming lunches are described in the brochure on your table. We have a very exciting June scheduled.

You can visit us online at empireclub.org. You can also follow us on Twitter @Empire_Club. Please, come again soon. This meeting is now adjourned. Thank you all for coming.

The Empire Club Presents

DR. LAURA TOOGOOD & JOHN CRUICKSHANK:

NEWS MEDIA AND PUBLIC RELATIONS IN THE DIGITAL AGE

June 2, 2015

HEAD TABLE:

Distinguished Guest Speaker:

Dr. Laura Toogood, PhD, Managing Director, Digitalis; Author of *Journalism and PR News Media and Public Relations in the Digital Age*

Guests:

Mr. John Cruickshank, Publisher, Toronto Star; President, Star Media Group
Ms. Emilia Di Luca, Student, Post Grad Corporate Communications Program, Seneca College
Dr. Gordon McIvor, Executive Director, National Executive Forum on Public Property; Director, Empire Club of Canada
Mr. Bruce MacLellan, President & CEO, Environics Communications
Mr. Rick Murray, Managing Partner and Chief Digital Strategist, NATIONAL Public Relations Inc.
Ms. Andrea Wood, Senior Vice President, Legal Services, TELUS; President, Empire Club of Canada

Welcome Address by Andrea Wood, President, Empire Club of Canada

Ladies and gentlemen, we are very fortunate to have today's guest all the way from London, England—the big London: Dr. Laura Toogood is a communications professional and digital commentator with broad academic and industry experience. She is Managing Director of Private Clients at Digitalis Reputation and the founder of luxury lifestyle publication, *The Sloaney.*

I first heard of her through our President Elect, Gordon McIvor, whom you have met. Gordon told us that her book, *Journalism and PR: News Media and Public Relations in the Digital Age*, was sending shockwaves through the communications community and was the new must-read for all communications executives. Who knew? I am a lawyer. I do not know this stuff. Gordon, thank you for sharing it with us.

John Cruickshank apparently agrees with Gordon's assessment, and we are very grateful that he has agreed to join us today to discuss the book with Dr. Toogood. You will all have heard of Mr. Cruickshank. He is President and Publisher of the *Toronto Star* and President of Star Media Group of Torstar. He is a veteran media executive and has had a long and accomplished career in journalism, having served as CEO and publisher of the Sun Times Media Group, publisher of CBC News and Managing Editor of the

Globe and Mail. This is just a small sampling of his career highlights, but the thing that is really exciting about John is—and I learned this—he has a TED Talk. How cool is that? Not just any TED talk, but one that is directly on point today: The threat to democracy posed by an increasingly technologically distracted public.

So, ladies and gentlemen, please, join me in welcoming Dr. Laura Toogood and John Cruickshank to our podium.

Dr. Laura Toogood & John Cruickshank

JC: Welcome to this side of the Atlantic. Good to have you.

LT: Thank you, John.

JC: This is the book, *Journalism and PR: News Media and Public Relations in the Digital Age*. Laura, you and John Lloyd are authors. Tell us a little bit about the background to the book. Why did you write it?

LT: Well, so I wrote it with John Lloyd, as you said, who is the co-author, and John has won many awards as a journalist, and he is currently a contributing editor to the *Financial Times*. Meanwhile, my background is very much in technology and the digital revolution and online communications, and that is where I was doing all the academic work and, increasingly more so, some work in the business space with Digitalis Reputation.

And John and I got our heads together about both industries, journalism and PR, and we figured that they are changing dramatically. Journalism is experiencing crisis times. PR is growing and growing in strength, and there was not a huge amount of academic work out there or literature about the change and why it was happening and where it is really going. So, with the Reuters Institute for the Study of Journalism at the University of Oxford, we set about coming up with an idea of potentially, actually, an academic paper to start with, so, you know, a small piece of work. But, as is with these things, we interviewed lots and lots of people from the PR industry and the journalism world, and it gathered momentum, and grew and grew and grew, and 18 months later, we had a book. So, it is a release, and that is why we stand here today.

JC: Tremendous. Now, a subtitle might be "The Rise and Fall of Journalism and the Rise and Rise of Public Relations."

LT: Yes.

JC: Give us a little bit of the history.

LT: Yes, I suppose we are in a world now where technology is changing so many industries, particularly, with journalism and PR. If we rewind 10, 20 years, journalism really did have the upper hand. PR executives were writing their press releases and trying to go for coffee and lunches with journalists in the event that they would potentially get their brand or the person that they were representing onto the radar of the journalist. But, ultimately, the journalist was the person who had the power and, because it was a case of communicating in audience of one of too many and there was relatively limited reciprocal dialogue from readers, the power was with journalism.

What has happened is that technology has meant there are so many more communications channels now emerging, and many of these are social media platforms: Facebook, Twitter—blogs even—Instagram, YouTube. And it is giving consumers and readers and the general public a greater voice, which also means for PR that there are lots of different channels where they can actually access the market. So, no longer do they always have to go to the journalist to gain coverage about their brand or to position their argument. They can actually use direct access channels, and that is, I suppose, one of the key changes; that is, technology is facilitating the ability for you to actually reach your audience in a different way and not always via broadsheets.

JC: Right, okay. Now, we will come back to the broadsheets, but you said something very, very interesting in the midst of the book about how the communications people are now sitting at the big table. They have gone from being people who did press releases to people who are now strategists. You cite people like David

Axelrod, who I remember as the former *Chicago Tribune* reporter. Go figure. Talk a little bit about that movement from the communication person, the press release writer, to the number two, literally, in politics.

LT: Well, I believe reputation has become a lot more fragile in today's world, and that is one of the reasons that PR has become a top-table profession. The likes of Twitter and Facebook and other communication channels means that consumer perception can change very quickly; it can gather momentum. If you are going through a crisis situation, you are expected to react and respond very, very quickly, and we have a big challenge, certainly, from the corporate side of things, because many of the board directors have not grown up around this type of technology. They are not used to this type of technology, and they do not necessarily know how to use it and how to engage it. Communication is now sort of fundamental to a lot of corporate policy, and I suppose that is why it is now vital that you have good PR advice from the very, very beginning. And you really need to have a strategic approach to communications because it can go wrong very quickly.

JC: It does mean that corporate leaders, just like your politicians, have to have a little bit of the actor or actress in them, does it not?

LT: Yes, and there is nowhere to hide in the social media world, and that was something else that we discussed at length with PR executives in the book, the fact that there is this pressure to communicate and pressure to have a presence.

Research we recently released through Digitalis Reputation in London actually focused all about the search engine results pages and where people are looking for information. They are no longer always going to the mainstream publications or these types of established news media sources; rather, they are Googling somebody's name or Googling a brand. So, just imagine that you are walking down the street; I am sure everyone is aware that if someone stops you and asks you a question, and you do not know the answer, then just type it into your phone. Type it into Google, and it will be there.

But, of course, we are seeing this difficulty, then, with how we position ourselves, and how we position our brands. And I think over 86% of people now trust what they see on the first page of Google, and over 92% or 94%—I cannot remember the exact figure off the top of my head now—will be impacted if they see something negative, which just shows how fragile reputation is and how the online life is really important in how we are portrayed in online media.

JC: Absolutely. I have to admit that that was really the only relief I felt in the book—that there is nowhere to hide, which used to be our role. But, the fact is—and you do get at this—is there is nowhere to hide both from truthful information and mistruth. It becomes more and more difficult to sort it through.

LT: Yes, social media presents that challenge where it is wonderful for engaging what we have called in the book the 'citizen journalist'. So, now, the media have access to a greater amount of reporters in regards to sort of the general public, really, and the people that are there, on the ground, experiencing real life events. One example, which I should mention—and I cite it in the book—is that I was in Val d'Isère, which is a ski resort in France, and there was a big chalet fire, and it was filmed by a skier on his iPhone. He then submitted this to the BBC, who, in a few hours, ran it as one of their headline stories in the news summary. They did not have any reporters out there, and they did not have access to the story other than through what we would call now the 'citizen journalist'. So, it is great for being able to document history and real-life events and have more sources available. But, as you quite rightly say, there can be this struggle with misinformation.

I was speaking at the Canadian Public Relations Society Conference in Montréal only a couple of days ago, and one of the examples I cited there was in relation to the Sandy Hook school killings, where, initially, the wrong brother was actually named as the murderer. Now, while that was an error that I believe was made by a press agency in the first instance, once it reached the realm of social media, it grew and grew and grew and gathered great momentum, which caused problems for the accuracy in reporting the story and, needless to say, for the reputation and implications of the wrong brother.

JC: Yes. Yes, absolutely. And we saw another version of that in the Boston Marathon. Yes, absolutely. One of the other things that you get out of the book—and I think is so interesting—are the challenges for the traditional media. And you do not really suggest that there is anything but traditional media, news media, and I think that is useful. So much is happening at once, and that undermines both the business model and, to a certain extent, their capacity to be authoritative. I want to talk a little bit about that. I mean, you have sort of glanced at it already: The fall of advertising as well at the enormous increase in competition.

LT: Yes, there are so many more channels available for people to get their news from, to get their content from, and a lot of it is freely published as well. And it is people writing, because they want to write; they love to write; they are not trying to make money, and this puts great stress on the industry of journalism—a lot of the editors and the reporters, you know, need to make it work from a commercial sense for it to survive.

JC: The publishers do, certainly.

LT: Well, yes, exactly, the publishers.

JC: I am not going to rely on the reporters to do that.

LT: Yes, that is true, actually. It is interesting that you should say that because a lot of the time the reporters are not really interested in making money at all; they just want to write and tell the story.

JC: Get at the truth.

LT: Get at the truth, quite. No, but I think it puts a lot of pressure on journalists, then, to perform when it comes to outputting high-quality content. This is what we are seeing. The big publications that re-surviving this change and coming out well and progressing well are really focusing on top-quality investigative journalism and focusing on, fundamentally, what they are very, very good at, which is, as you quite rightly say, telling the truth. And I think that the reputation of the main newspaper brands, the main television brands and the credibility and the authority that they bring definitely should not be overlooked.

And there is, arguably, a tendency nowadays, certainly with PR, to become preoccupied and obsessed with social media, with getting enough information out on all of these channels and with managing it. But the endorsement of the high-brow publication still does hold a lot of value, and you may speak to, certainly, from a financial news perspective or a bank's, and they would be much happier with potentially two or three lines in the *Financial Times* and the *Wall Street Journal* than lots and lots of information out on blogs or social media feeds.

JC: Right. The structure of journalism in Great Britain, which was the primary focus with respect to how you kind of structured the thought about this, is quite different from that in North America. I mean, in Great Britain, you have got half a dozen national brands, and some of them are very, very high quality and are quite authoritative. The great bulk of people who read or watch television news in Canada or the United States are dealing with metropolitan newspapers and local television shows, so they are not big brands. Are we really moving to a point where you can imagine in the United States a *New York Times* or *Wall Street Journal* and not much else?

LT: Potentially, like I say, although the mainstream publications do have a great reputation and they do shine through, and they can often be considered a leading light in what is a crowded space, one of the advantages of the digital revolution is it has given the opportunity for new sites and new domains and new voices to garner more attention. So, for example, the *Huffington Post*, you know, has now become the very creditable site for news. And that started as a free media domain and still, you know, is basically running on the blogging material.

One of the other key focusses that we looked at actually address this idea of every company becoming a media company. What is happening, certainly in the UK market—and I would say this is not exclusive to the UK market—is a model that can be and is being rolled out in other countries as well. It is the idea that people are now looking to brands, and brands are looking to journalists to bring them on board and to become a news site and a news channel. So, we have the likes of Red Bull, who obviously aligned themselves with extreme sports, so Formula One racing, and they will interview some of the best Formula One drivers and the best teams. They really act almost like a news site, a newspaper and in a journalist's domain. This is actually supported by a brand that is subconsciously trying to make money out of that, but it is becoming a media brand and pulling people potentially away, in some instances—and arguably more in consumer-based PR and consumer-based journalism—from some of the major brands.

And there is this pressure now to be a media company and to put out a lot of content online, and so many people get it right; so many people get it wrong. We have Land Rover, the big car company. In the UK, they ran a very famous social media campaign under the hashtag 'hibernot'. It is an incredibly simple concept because they are all about off-road vehicles and promoting the outdoor lifestyle. What they were doing was encouraging their social media community members to go out and take a photograph of them embracing winter, so, rather than hibernating, the idea is to "hibernot," and the key here also, I suppose, is to make your own word up as well, so you can really own it, and it spreads like wildfire. That is really a great example of a brand becoming a media company, making this direct communication work, and taking the influence away from appearing in maybe the *Times* or the *Telegraph* or the *Financial Times*—because the impact and the reach of their successful social media campaign trumped, arguably, any article or feature that appeared in a newspaper for one day.

JC: Right, right. You have also gone from not only is every company, in effect, a media company, but many individuals are. They create great value for themselves by being their own brand, and PR professionals now deal not just with media corporations, but also have to deal with brands, with human brands, within media corporations.

LT: Yes, there are two points that are interesting that I should touch on here. Increasingly, we are now thinking when it comes to reputation, positioning and branding, it is one reputation and one brand. It is not about the personal brand and the corporate brand; it is about the individual as much as it is about the company. And companies are becoming wiser to this and more proactive in advising people about their online profile, about their legacy, about their digital communication for lots of different reasons: I think the security risks, but as well as almost wanting to own the profile and the digital footprint of their employees. The people are becoming very valuable to them.

But, in the journalism area, there have been—I was having this conversation with John Lloyd, my co-author only last week—instances where some key reporters actually gain more social media following and more social interest than potentially their publication. We have a couple of writers in the UK who have such experience. Kate Warren is one example. She writes three or four big, big publications, but her social media reach actually surpasses any of these publications, so, you get to a stage where you think, "Well, actually, she could go out, and she could create her own publication, her own news site. She does not need to write for the *Times*, the *Telegraph*." She does not need to go on the BBC. She has got her own readership, her own followers, and why not just utilize that? One of John's colleagues quite rightly pointed out, that when it becomes about the person and when you leave the safety and the environment and the support structure that a big organization provides you as a journalist, then it can be quite a nerve-wracking step, not only because you are under pressure, then, to commercialize your own model, but you leave yourself open from a legal aspect as well. So, whilst the journalists have become their own brand themselves, they are not necessarily wanting to make the step away yet—maybe it will change—from the big companies that are supporting them. And that is a huge value, I think, for the broadsheets and the news sites.

JC: Yes—although I wonder: Unless you have an inner commitment to poverty, it is very hard to see how someone creating their own brand can maintain their integrity. I mean, we had examples of people creating their own brand in the past. Izzy Stone, for example, in the States. Extraordinary work he did literally on his own in Washington over many, many years, and he did not want to get rich doing it. He wanted to get at the truth. A lot of the people who are personal brand builders—their goal is the filthy lucre rather than the truth, is it not?

LT: I suppose. I mean, it depends entirely what industry you are coming from. Certainly with the journalists, of course, they write because they are passionate about writing. They report because they want the truth to be told, and they really want to communicate with the citizens. So, to them, there is not this desire, necessarily, to make lots of money by doing this. But, unfortunately, for them to go on, money does play a factor, and that is where we are seeing that one of the challenges that we are facing is this blur between editorial and advertorial, which is becoming much more of a problem as we move into the online world. What is actually the truth? We are living in a world of appetizing, where fundamentally, everything is being supported by a brand that has an objective to make money, and perhaps we can lose that level of objectivity and credibility—I mean, certainly, with the up-and-coming journalists and the up-and-coming citizen journalists and bloggers who maybe are not trained in the same way as their traditional press are. They are quite happy, again—more so with consumer PR—essentially to write about products, to write about fashion brands, to write about where they are going, what they are doing; meanwhile, they are probably being paid for this, yet they are not declaring it on their website. And some of these people have hundreds and thousands of followers, and they could be targeting the teenage market or the young adult market who, again, maybe are more naïve readers and do not realize that, actually, behind this newsfeed is a big, commercial pitch coming from various brands who are trying to make money.

JC: Yes, I think that is absolutely right. There is a wonderful section in the book. I was really fascinated by it. A great observation it seemed to me because I have been a little puzzled by in: In all of the rhetoric around native advertising, which I thought I once understood as advertorial, you make the point in the book and you make the distinction, I think, between the past and the present in that there is now so much promotional material out there. There is so much spin in all of our lives—some truth based, some not—that marketers are now looking for places of authority to associate themselves with, and I think the point that you were trying to make is that that is the reason the native advertising is now so attractive: Because it is nestled up against the truth or a place that has a reputation for seeking the truth.

LT: I think PR practitioners have been very quick to recognize this opportunity to push their products, their brands, wherever they are representing through this blur of editorial and advertorial. It has been going on now for some time. But, as you quite rightly point out, there is a little bit of a backlash against it because people, ultimately, are starting to ignore some of this content. They are putting content out there, and they know that somebody is endorsing it because they are getting paid, and perhaps they are not even declaring that they are getting paid. Then, it loses the value in the PR piece in the first instance because the consumer is going to be wise to that. And perhaps what we are seeing is more of a move towards looking for the truth and a pushback in the online media world against this sort of saturation of marketing content and advertising. That is where, ultimately, the journalism will triumph as an industry because, if they stick to the values and the morals of providing objective, high-quality, truthful content, then that is what the readers are looking for in the first instance.

JC: I think that is an optimist's view of it, and I hope you are right, and, actually, there are some times of the day when I believe you are right. But, it is fascinating to me that is there not a bit of a paradox in pushing native ad? The push is completely understandable for a native advertising to sit with highly credible titles because, in the end, might it not undermine those titles? Could we get to the point where there is no authority?

LT: Perhaps we could.

JC: That is the pessimist side.

LT: Yes, the counterargument—I completely agree with you—is how can we make the model work from a commercial perspective, from a financial perspective? How can journalism survive without having the support and the convergence that we are seeing with the advertising and the PR model? And I think really, at the moment, it is still quite a muddled area. We do not know where it is going apart from there is definitely a trend towards the highly specialized publications, the targeted audiences. This idea of the *Madonline*, well, is very well known in the UK, but I am sure *Madonline* having now come outside and tackled the American market had an online model that has been very successful. It is a good example of a publication that is just trying to get as many readers as possible. It is using a lot of SEO, search engine optimization. It is making sure that its websites are picked up in lots of different territories with local content, celebrity content attracting readers.

And for a long time, I think people felt this push towards extended reach was the answer for journalism, and that is how it was going to survive—by reaching as many people as possible. But it is my view that, actually, now that the payable, protected content is going to triumph over that because now when we start to live in an environment where it becomes the norm to pay for high-quality content, then that is where people are going to move towards. Equally, the advertisers are also going to see that, but they can perhaps follow an advertising model that is more similar to the traditional model that we have in the offline world. I think the key for the survival is the specialist publications with the high-quality needs, and, arguably, a smaller condensed following will work.

JC: Fascinating. Yes, I had been concerned. When I look at the daily mail—at some point they are going to run out of starlets in swimsuits, and their readership is going to totally crash.

LT: Are we dumbing down?

JC: Right, because there is not much else going on there. The problem with the model that you are talking about, the highly specialized model, is that it has to be subscriber based presumably, and so your revenue has to come here. I mean, frankly, it becomes very, very narrow. It is a return to, like, complete narrowcasting, and it is probably going to wind up being highly elitist. Again, that might be a model that makes some sense in a British environment where you do have a small number of… and you have a sort of concept of there being a national market.

For North America, there is a national market, but it is very, very, very thin, and the thick market is local TV news and local newspapers, so it is a matter of how we reconcile those issues. That, I guess, is the real challenge for the future.

LT: What is your view on where it is going to go, because as a publisher…?

JC: I think it is wonderful!

LT: Am I allowed to do this? Can I swap? Can I be the person questioning?

JC: Sure. We have announced at the start that we are making a big bet on the tablet and on a tablet app because we see there—from looking at what our friends and colleagues at *La Presse* have done—an opportunity to engage a younger audience. We do not have any trouble engaging an older audience and a wonderfully high quality older audience that is one that stretches across the whole of the wage spectrum. But, we are looking for the creation of the next generation of journalism, but we have come to the conclusion that you cannot do that with a paid model, not if you want to get a real substantial chunk of the market, and we do. And we do, because we think that you have got to have an engaged citizenry to actually run a democracy. You have got to have a lot of people there. And so, we have been very lucky. Our company has put a lot of resources and tremendous enthusiasm behind this push. That, for us, is the next thing.

LT: One of the key problems, actually, is as soon as you go behind a paywall, it becomes a subscription model. Because there is so much content out there that is freely available—and some very good quality content out there—you lose the reader, and the reader goes to what they can have for free because they think, "Well, why am I going to pay for this?" But then, we have touched on briefly the advantage of having the investigative reporting and putting the resource behind investigative reporting, because that is something that you can do as a journalist, and you can do it really,

really well. You are not necessarily going to be able to do that level of reporting at all as a citizen journalist. You are not prepared to operate the same way, so, arguably, I suppose people will be attracted to the brand based on the fact that you are producing quality.

JC: Yes, although our experience has been and what we are seeing in North America, certainly, is that even when you have very high quality, if you put it behind a wall, you are actually limiting that portion of the audience that you can get. Essentially you are not going to get anybody under 50. They just do not feel that they should have to pay for digital journalism no matter how good it is.

LT: And that is partly because of social media, the way their consumption habits are changing. The fact—I am sure it is the same here—is that people have a certain loyalty to a brand of newspaper, and, previously, before social was around, you would go down to the newsstand, and you would pick up your copy, and that was it. That would be your news that you were consuming. You would not take much notice of the competitive brands or other areas. But, now, if people are logging on to their Twitter accounts, potentially they are following lots and lots of different publications, lots and lots of different reporters and, increasingly so, lots of, I am afraid to say, lots of brands now who are coming up with the interesting features and the news content. So, if you exclude yourself from that space, it can be quite difficult.

JC: Yes, no question about it. Listen, I do not think we should exclude the rest of this audience here. Are there folks with questions?

Q: Terrific discussion, Dr. Toogood and Mr. Cruickshank.

I would be interested in your thoughts on what the true authority is just to build on the discussion to that point. Is it not that people are looking for a variety of choices in their information to not have to make an assessment of, "Yes, the *Toronto Star* believes we need to move this direction—knocking down the Gardiner Expressway—or needs to move in this direction on something else?" I think we saw in something interesting in Canadian politics last week with respect to a politician retiring, Peter MacKay: Universally, the story was the same, except one journalist, Andrew Coyne of the *National Post*, took a very different point of view and was very negative. My sense is that both in North America and in Europe there is a hunger for people to have this variety of different points of view. They are not just looking for one point of view, but they are interested in the thought that somebody has that expertise. But what is truly the authority? Is it the person himself or herself? Is that the reason that we are finding that we are not comfortable with one authority?

LT: It is interesting, the fact that the technology side of things has opened up so many more avenues and so many more forums for people to voice their opinion. And as you quite rightly say, is it giving a more diverse news output? Yes, I think it probably is and, perhaps, we are in a more competitive news world now where to attract the attention of all these readers, you need to take a different viewpoint. You cannot be so narrowly focused on certain stories or certain agendas.

One thing that has come out of technology that is very positive is this forum for people to express themselves differently and engage readers and, potentially—I do not know—raise the intellect of readers as well and consumers, if I may go as far to say that.

JC: I think, though, you have to make a bit of a distinction because I think what we have discovered is there is a small percentage of people who are interested in the point of view of a news organization, and it is absolutely viable to the identity of the brand, but it is not what builds a very broad audience. What builds a very broad audience, I think, is a very diverse agenda and one that is both useful and, to some extent, entertaining and engaging. I think it has to be all those things and clearly, at this point, news organizations are going to have to do that with a multi-media approach, which is why we found with the tablet an opportunity inside an app, a closed app, to bring to bear all of the tools that are now available to us to try to engage, entertain, delight and inform.

I think the challenge from the social side is that to have the certain small group of people who are going to choose the six best websites in the world to read every day, is a very, very small group. The benefit that we have had over a very long period is attracting the people who are reading and reading at a deep level or viewing television news at a deep level and in that way—actually, educating themselves as citizens, actually knowing what is going on, right, knowing who the mayor is, being able to tell you where Syria is on a map. Those kinds of things. And that is what we risk losing, it seems to me, unless there is a more deeply engaged readership or viewership in the news for the future. Does that ring with you?

LT: Yes, I think something else that I just thought that could be worth mentioning here is the fact that the reader has become a lot more mobile. And certainly in the UK rather than it being a case of the newspapers and the editorial conferences leading the news agenda, in some situations, we are actually having the reader and the public influencing the news agenda. So, one example we had of this was Ched Evans, who is a professional soccer player in the UK, very, very top level, and he was convicted of rape and served two and a half years of his sentence in prison but never actually acknowledged that it happened and up until a certain point denied that it had taken place. When he came out of prison, he was a convicted rapist, and he came out of prison and a top-level club tried to bring him back into sport again at the very, very highest level, and it caused public outcry. We had politicians, we had Olympic athletes, but, more to the point, we had the general public Tweeting disapproval, setting up Facebook campaigns, and it was a situation where the news story, it ran and ran and ran. It ran for days and days and then even into weeks, and it is all because social media has mobilized the reader. So the journalists, when they are looking at what is going on in the world, what matters to citizens, they can see it very clearly, and it gives them a much better ability to gage public opinion. And what we have now is an environment where, in some cases—and I am not sure if you would agree with this—it can be led by the reader, the news agenda.

JC: Yes, the scariest moment for me in reading this book was the algorithmic news of the future, the thought that the news agenda would actually be created by a machine, which is responsive and learning as it sees the taste of the audience. I find that terrifying because I fear the descent into the lowest denominator—aside from you would not need editors and publishers.

LT: That is true. No, the technical side of online media and reputation management is—I do a lot of work in that area, at the moment. We are moving towards sort of the cyber era and how privacy is so valuable for many, many clients and individuals. So, when I first started working in this industry, it was all about social media and "Let us get the message out there; let us put content out there; let us talk, let us engage," and five, six, seven years later, people are suddenly thinking, "Whoa, there is a lot of information out there about me, about my company. How do I control this? How do I manage it? How do I maintain some level of privacy, or am I forced into the spotlight and forced into communication all the time?" Inevitably, as reader habits move towards search engines for finding their news, by algorithms, Google will control what is most relevant or what is perceived as most accurate about your brand or yourself as a person or a certain news story. And it can be based on a whole host of factors: The amount of key words that are mentioned in an article, the amount inbound links, the amount of social shares. But it is all algorithms. It is all data, and, before we know it, we are moving into an era where, as I often say, if you do not manage your reputation or your company's reputation, then a search engine is going to do it for you, and a computer is going to do it for you, basically.

JC: One of the interesting things is, if you leave it up to the algorithm and up to the computer, they will make decisions that are based on a kind of reasonability or reason that may be really damaging.

We had a mayor in this city until recently who had a drug and alcohol problem, which was something that we raised repeatedly in the *Toronto Star*. Our reporters had even seen a tape of him snorting with his brothers and had let people know, but it was fascinating. We broke that story, and there was tremendous backlash and a very well-organized campaign against us. And we had actually did some polling with our own readers in the middle of that, and more than 50% said that they did not believe our story. At that point you think, "Okay, do we throw the hand in?" But of course, you cannot. I am afraid the algorithm might say, "Okay, well, let's go on to Miss Brazil!" We stuck it out and eventually, as it turned out, we were vindicated. You do not get vindicated in every circumstance, but you still have to have that deeper commitment to the truth.

LT: Exactly, and the legacy of the online footprint is a real concern for many at the moment. What is to say what story is most relevant to an individual? The individual may have been engaged in media activity for four, five, six years. An article that is five years old may rank number one or two for their name. Yes, it could be a completely negative article; it could be factually incorrect, but when people Google that person, that is what they are seeing, and this online footprint is a real concern, especially when you move away and, as you say, take away the human element and the human control or interaction.

JC: Fascinating. Other questions?

Q: Thank you. My sense is that people are curating all of this vast information by drilling down vertically into silos of interest, and they are not reading as broadly as they were when they were reading in print. I would like your comments on that.

LT: Yes, I mean, well, it is difficult to know. I think the fact is that social media has changed the way people are consuming their news. Whether they are not reading as broadly, I am not sure, but they are certainly probably not reading as extensively. And I mean that when you are working with platforms such as Twitter, where it is 140 characters or less, and that is your news bite for the day, and it is being continuously updated, you are getting very cutting edge and progressive news updates, and you know what is going on, and you can engage it, but there is something to be said for losing that ability to read a 2000-word feature or 1000-word feature that is very, very in depth and tackles the debate. And this is this whole concept around whether the digital age is actually dumbing down news and changing the way we consume it.

There is an argument that is taking place, and we see it with, as you were talking about with the *Madonline*, which, yes, is a newspaper that does play a role in tackling very, very serious issues, certain political issues, the criminal reporting, whatever it may be, but online, they have got a model where the entire right-hand side of the page can be scrolled and scrolled and scrolled for ages, and it is all about bikinis. It is all about photographs; it is all about lifting Tweets from celebrities' accounts. It is sort of a contradiction, really, when you see that next to what is a very, very serious news story. Even more worrying is how many people are clicking on the pictures of the celebrities compared to how many people are clicking on the index features.

JC: I think physically, the gestalt of a newspaper—and we feel like we are rediscovering it with the tablet—is so very different than the way in which the website leads you to drill down. But certainly, the other thing we do know both in Canada and the United States and in most of developed countries—and the information is also sketchy—is that young people say they need the news today at a rate of about half of what their grandparents had. Self-reporting, they say they are spending about half the time that their grandparents did and, of course, they are voting at even at less than half the rate that their grandparents did. So, we have lost breadth and depth.

LT: That may be down to the fact now that as we see and move away from the traditional print press, people, the younger generation, are not necessarily going and buying their broadsheet newspaper and spending Sunday morning or all of Sunday reading it. And they do not have so much of an affinity to the actual print publication. Instead, they flick through their Twitter very, very quickly and get all of their news updates, and, therefore, they feel like they are educated about certain issues.

It is a different type of consumption because, arguably, if we go back to just reading the detailed analysis that you would see in a broadsheet newspaper, yes, you have got a comprehensive understanding of the issues, but it is not as up-to-date as the Twitter community are and the Twitter user. So, it is different, but we are certainly losing that feel, maybe, for spending all day Sunday, really breaking down into the issues, and it is all about a fast, rapid society, and that is, I am afraid, the world that we are living in now.

Q: Great information and great investigative reporting on our former mayor. I told Michael Cooke, at the time, "I believe you. Keep going."

My question has to do with my 12-year-old son, who came up to me the other day and said that he had monetized his YouTube site, that he has 222 subscribers and that he had made some video for Minecraft that had 17,000 views. He just received his first pay cheque last month for $10 from

YouTube. So, it makes me think how do we kind of prepare the young? I want to know how we can engage these young people who are our future, our future voters and our future readers to think about education. How can we make them want to go to that next step? And how will the digital arena play into how they are educated moving forward, because if they are doing that at 12—I mean, I got my first email at 24—it makes me wonder.

LT: Children's use of technology is an area in which I do quite a bit of work, and I do have to say that it is a frightening world, I think, to grow up in now, and to have all of your social networks online with all of the vulnerabilities that that brings with it.

We have had a lot of discussion in the UK, and I think as well over in North America about revenge porn, for example, and sexting and the many threats now in the digital landscape. I think we cannot run away from technology, and we cannot bury our heads in the sand. It is not going to go away. Only a couple of months ago, I had somebody come up to me and say, "Is this internet thing really staying around?" I am afraid so. I am afraid so. So, I think the answer is now that we have to understand and do our best to educate ourselves about technology, and we all come from the generation that use it, so the awareness is vital, and it is the way of accessing the young people, so we cannot run away from it. We cannot bury our heads in the sand, but we have to all the time think of new ways of engaging them in the right way, and that is crucial.

JC: These are great tools, but the thing that is really exiting, from a newsperson's perspective, is that these are great tools with which to engage young people and even their parents and grandparents.

Note of Appreciation, by Bruce MacLellan, President & CEO, Environics Communications

Thank you. Before I thank our two speakers, I want to mention that this is Laura's first visit to Canada, and she is accompanied by her mother. So, I want to first thank Mrs. Toogood for being here and for bringing Laura into the world. So, well done.

So, I was recommended Laura's book several months ago by a colleague in our PR industry and thoroughly enjoyed reading it. The topic of PR and journalism is an interesting one, and you have chosen to write about what I consider this never-ending difficult marriage of the relationship between PR people and journalism.

I, as a young political assistant back at Queen's Park many decades ago, remember an equally young *Globe* reporter in John at that time, and I always knew John to be a friendly journalist who was always willing to hear another story or get to know someone better. Thank you for hosting this discussion because you have not changed, and it is great that you are now in such a leadership role in the media.

Laura, you have raised some very important issues in your book and in your discussion today. Both PR and journalism are at a transformative stage of our history. We are both trying to understand how people build trust and maintain trust and attract attention and can get paid a living for it, so, our two professions are in your title. And it is great that we are having this dialogue together, and it is great that you have taken such a leadership role in writing the book and writing it in your spare time as you work, as you are a marathon runner as well. And I am sure you do lots of other things in your life. So, it is easy to feel quite modest around you, but it is an honour to have you here, and we have really enjoyed the presentation. I know I speak for everyone in the audience in thanking you. So, thank you.

Concluding Remarks, by Andrea Wood, President, Empire Club of Canada

Before we all leave today, I would like to take a moment to thank our generous sponsors, Environics Communications. I would also like to thank—sorry John—the *National Post,* as our print media sponsor. This meeting will be broadcast on Rogers TV.

Please, consider becoming a member of the Empire Club. The perks of membership include reduced ticket prices to our lunches, advanced notice and priority seating at events and invitations to member-only events. To make it easier for you, for the balance of the season, we are offering a special promotion: Join us, and we will throw in a lunch.

This is the last month of our season this year, and we are planning to go out with a bang. We have a great lineup for the next couple of weeks. We are hosting Mayor John Tory next Monday. He will be talking to us about the future of the Gardiner, and so, we hope you will come to see that one. On Tuesday, June 9th, Jim Balsillie, Jacquie McNish and Sean Silcoff will be discussing the lessons learned from BlackBerry. The Governor General is coming on June 19th, and Victor Dodig, CEO of CIBC, one of our bigger banks, will be coming to speak with us about technology and banking on June 23rd.

To learn more about membership and about upcoming events, visit us online at www.empireclub.org. You can also follow us on Twitter at @Empire_Club.

This meeting is now adjourned. Thank you all for coming, and we will see you soon, hopefully, at one of the next lunches. Thank you.

The Empire Club Presents

THE HONOURABLE JOHN TORY MAYOR OF TORONTO:

THE FUTURE OF THE GARDINER EXPRESSWAY

June 8, 2015

HEAD TABLE

Distinguished Guest Speaker:

Mr. John Tory, Mayor of Toronto

Guests:

Ms. Tina Arvanitis, Vice President, Government Relations and Communications, Ontario Energy Association; Director, Empire Club of Canada

Mr. Noble Chummar, Partner, Cassels Brock & Blackwell LLP; Past President, Empire Club of Canada

Ms. Teresa Di Felice, Director of Government and Community Relations, and Driver Training,

CAA South Central Ontario

Mr. Simon Dwyer, Director, Government Affairs, Bell Canada

Councillor Jaye Robinson, Ward 25 Don Valley West, Chair, Public Works, City of Toronto

Mr. Tim Smitheman, Manager, Government and Public Relations, Samsung Renewable Energy Inc.; Director, Empire Club of Canada

Mr. Matthew Thenganatt, Director of Finance (Retired), BASF Canada Inc.

Ms. Andrea Wood, Senior Vice President, Legal Services, TELUS; President, Empire Club of Canada

Ms. Beth Wilson, Chair, Toronto Region Board of Trade; Toronto Managing Partner, KPMG

Welcome Address by Andrea Wood, President, Empire Club of Canada

It is my distinct pleasure to introduce a man who has spent his career promoting and giving back to the city he loves, Mayor John Tory, Toronto's 65th mayor. The mayor is very well known to members of this Club, and he served as a director of the Empire Club in the late '90s. What an honour it is for us to have a former director at our podium as a speaker.

Some of you will also recall that Mayor Tory was here as recently as last fall for the Mayoral Candidates' Debate. That was an incredibly entertaining debate, and we are grateful to have him back.

Since the election, Mayor Tory's focus has been on bringing the city together as one Toronto. He has worked hard to tackle transit and traffic congestion, which brings us to why the mayor is here with us today. Mayor Tory will speak with us about his vision for the future of the eastern portion of the Gardiner Expressway and the impact of that issue on traffic, economic development and the need to build a truly great city. This historic decision will be debated and voted upon this week at City Council. I have no doubt that it will be a passionate debate. It is important to note that the Gardiner Expressway has been debated for decades by past councils, and I believe that many of you would agree that now is the time to make a decision on how we can continue to build a liveable city for all of Toronto's residents.

With that, ladies and gentlemen, please, join me in welcoming to the stage the man tasked with creating a liveable, affordable and functional city, Mayor John Tory.

Mayor John Tory

President Andrea and fellow members of city council—and there are a number here today that I would like to acknowledge: Deputy Mayor Denzil Minnan-Wong; Councillor Jaye Robinson who was previously introduced; Councillor and Deputy Mayor Vincent Crisanti; Councillor Frances Nunziata, who is also the Speaker of the City Council; Councillor Justin Di Ciano; Councillor Christin Carmichael Greb; and Councillor Raymond Cho—welcome. And I apologize if I missed anybody that is here that I did not see on the way in, but I welcome them all to the Empire Club today, and we are all privileged to serve you in public office.

Now, I should say, President Andrea, in response to your kind words of introduction, one of the great things about this job is that I could have come here today, and it could be the same any given day, and talked about any one of a number of controversial issues that are on the plate. I could have talked about the TTC issues of this morning, for example, and I do not want to make any light of those, but I want to just say that Andy Byford and I agree: We have to do better than that, and that is why we are investing, again, in the TTC. We started to invest again in the TTC. I use it every day—pretty much every day—and I know that way beyond me, there are thousands and thousands of people who rely on it, and that is why we have to do better.

I could also have spoken about the carding issue, and I will only say about that, that as the mayor of the most diverse city in the world and one of the safest, that we simply have to find a way to make sure the police can do their very difficult job, but, at the same time, make sure that we are respectful of the rights of each and every citizen of the city. I came to the conclusion that it was necessary for us to accomplish that best by starting with a clean slate as opposed to trying to build on a foundation that had been called into question by a lot of people over a lot of time. I think that is the right way to go, and that is what I did.

To today's issue, and, obviously, one name looms very large in the news this week and that is the name Gardiner. Fred Gardiner was called "Big Daddy." He was a towering giant. He was a great city builder. His stamp was felt throughout the city and still is to this day—from the Don Valley Parkway to the Bloor-Danforth subway, and, of course, the Frederick G. Gardiner Expressway. This expressway was built over ten years starting in the mid-'50s. At the time it was built, the Gardiner threaded its way through fields and parking lots. It is hard to imagine that nowadays. It was to be, as Mr. Gardiner predicted, a critical piece of infrastructure for a growing city. Even then, it was a tough sell. He had to convince Council to build it in sections and, quite hilariously, they built both the eastern and the western portions first, making the controversial downtown portion inevitable—sort of a Toronto way of doing things.

At the time, when urging the council to make the decision to build the Expressway, Mr. Gardiner threatened his fellow councillors that they could go no longer without a decision because, as he said, and I quote, "The whole east end of the city will be on our shoulders like three tons of bricks." It is amazing how things never change. Here we are all these years later and there are parts of the city, of course, that are very, very concerned about the decision that we are about to make.

Mr. Gardiner felt that expressways were critical, but he also saw the importance of building transit, and he did both. At the very first meeting of Metro council in 1956, Mr Gardiner stated, "It is a snare and a delusion to spend millions on expressways in the belief that they alone will solve traffic problems." I could not agree more because, whether you are talking about 1956 or today, in a growing city as it was then and as it is now, it is not one or the other: It is both that we need in order to have a balanced transportation system for the city of Toronto. Yes, we need transit. We need much, much more transit. We need SmartTrack; we need the waterfront LRT; we will need the downtown relief line; we need it all. To me those who are saying, as you hear, that it is a choice between better roadways or more transit, simply do not get it. Great cities have both, and they need both.

Unfortunately, some of the reality we face today is a result of the fact that we have not kept up with Mr. Gardiner's efforts to build transit and infrastructure for the city that we are today and, perhaps, just as importantly, for the city we are going to become. We are a great city, but the fact is that today we are playing catch up. Our roadways and our transit systems are overburdened; they are overcrowded; they are overrun; and in many cases, they are out of date. We are one of the most congested cities in North America. That is the placement on the list we do not talk about very much. We are proud of the placements we have, and we should be in this world of liveability and business competitiveness and tax competitiveness and a whole bunch of other things. But, we should not be proud of the fact that we rank as highly as we do on the list of congested cities because it costs our citizens countless hours of their time. It costs our economy billions of dollars annually, and that means jobs.

When I talk about the negative effect on business and on the economy, and when I say it will cost us jobs, this is not a myth. You may have read this morning, for example, about the Ontario Food Terminal. It is the hub just to the west of the downtown, where a great deal of the city's fresh produce and food is distributed, and it is located right near the waterfront. They have said that removing the Gardiner, the eastern portion of the Gardiner, will seriously impede their ability to receive and deliver food. That means that they do not know if they will be able to get the food and deliver the food that goes to restaurants and grocery stores and so on. That is food that is meant to be bought by people when they shop and when they go to restaurants and put on the table at home. That is what I mean when I talk about the fact that the consequences of traffic congestion getting worse are very real, and they are very far reaching, and they effect the economy in a very critical way. That is how critical the decision is that is before us this week.

It is also about time. The time that people have is the only commodity you cannot buy more of. You cannot get it back when it is gone—time better spent at home, I think most people would say, with their families. When, at CivicAction, we did a survey of what people would do if they had some extra time, each day, the number one answer they gave was sleep. You laugh at it in a way, but you also get it because the fact is that when people have these unacceptable commutes, the thing that probably suffers, even ahead of families, is their time being able to get proper rest because they have to go to work earlier in the morning. Time is not a commodity that can be bought. It is not a commodity that can be bought, and I refuse, as the elected leader of this city, to take more time away from people by consciously taking a decision that I know will do that because I believe that people are giving away enough of their time to commuting already.

I believe, ladies and gentlemen, that that is a large part of what this discussion is all about. All through the election campaign and in the six months since I became mayor, it is the number one thing that I hear from people: They are sick and tired of having their time taken away from them because they are stuck in traffic or stuck on a subway platform. We have to do better than this. We have to take actions as a council that will make life better for the people of the city of Toronto. So, this week, we are faced with the decision as to what to do with a 1.7-kilometre stretch of the eastern Gardiner.

Now, let me be clear: The rest of the Gardiner will remain. Over 90% of the roadway is to be fixed up but to be left in place. In fact, most of the western Gardiner has already been surrounded, as you know, by condominium and office development. The Gardiner, as we know it today, the western portion, threads its way next to condos and office towers. We have steadily and surely grown up around it as a city, and that trend is set to continue. But, when it comes to the future of this small eastern portion of Gardiner, which makes up the critical connection between the Don Valley Parkway and the Gardiner, we have three options, and you can see them illustrated here on the screens: First, you will see on the left that we can maintain the Gardiner as it is—repairing it to ensure that it remains safe for drivers and for pedestrians walking nearby. The second option is that we can tear it down and replace it with an eight-lane roadway at street level. That is on the right-hand side of the screen. Finally, option three, in the middle, is the hybrid approach, which will remove a section of the Expressway, and open up lands to the east of the Gardiner, but also maintain in place a continuous connection with the Don Valley Parkway, something that I believe is critically important.

Now, during the election campaign, I said at that time throughout the campaign, consistently, when asked, which was frequently probably right here on this Empire Club podium, that I favoured the hybrid option—so did Doug Ford, and so did Olivia Chow, and so did David Soknacki. That was because, in my view, they recognized the fact that it was the right thing to do for the city and is what the people felt was best. All of those candidates all said, given the three choices, that they favoured the hybrid option. Let us be clear: Any way you look at it, that the three of those candidates received a huge proportion of the total vote of the electorate is the extent to which people were thinking about that issue during the election campaign. That is what people voted for, and that is why I would be voting for it this coming this week. And that is why a large number of my council colleagues will be voting for it as well.

But, to me, ladies and gentlemen, there is a more fundamental question that we have to ask ourselves here, which is, "Are we willing and do we think it is right to do something that we know will make traffic congestion worse, that will continue to cost our economy and our productivity, which means costing us jobs? Are we ready to take more time away from people?" I said earlier on, I that I was not. I think for too long we have approved office towers and condominiums, without properly considering the impact on our transit system and on our roadways. But, we are where we are. We are making up for some of those poor planning decisions and poor planning itself, but what we absolutely cannot do, in my view, is make one more decision and tear down the Gardiner East because that would essentially be saying, in my view, to people, "Your time isn't really that important to us. Too bad: You're out of luck."

I have to say that I shake my head when I hear the argument that it is only ten minutes more; it is not that bad. And it is ten minutes each way, by the way, for people who are commuting into and out of the downtown. Tell that to a parent who is panicked and rushing home from work to pick up their child from childcare. Tell it to a worker who will not make their delivery on time. Tell it to a commuter who already spends an hour each way in their car every single day. The fact is that those who say that we can tear down the Gardiner East and the traffic will just sort it out are dreaming. They are dreaming. Worse still: They are not being straightforward. We simply cannot sever the length between the Don Valley Parkway and the Gardiner, a critical link in our city's transportation grid, part of the overall and only ring road that we have around Toronto, and not dramatically affect the quality of life for people in this city.

I will have more to say about this in a minute, but it is not just people going to and from work or going to get their kids at childcare or whatever; it is also about trucks and vehicles performing functions in the economy by delivering goods and services to people. But it also is not just about drivers. The traffic has to go somewhere. This notion is peddled out there that the traffic is somehow going to vanish. "It is going to disappear," they say. Well, the question is *Do we really believe it's going to disappear?* And, if not, because I think we know better than to know it is going to disappear, the real question to be asked is *Where will it go?* Yes, it will go on arterial streets, key east west arterial streets, in particular, which, notwithstanding some of the earlier efforts we have tried to make, since I became mayor, are pretty clogged up as it is. But, it is also going to go onto streets that are residential streets. It is going to go onto those streets. It is going to go onto a street in front of your house or your condo or your apartment, and, suddenly, there is going to be traffic there which used to bypass those kinds of neighbourhoods, using the express connection between the Parkway and the Gardiner. We will have trucks. If part of the reason we are doing this—and it is a reason that I support; that is why the hybrid option actually allows us the opportunity to free up lands for the exciting development of our waterfront and lands to the north of the waterfront—is so that we can do that, and that is going to be good for the city, then we also have to acknowledge there are going to be a lot of trucks and other construction vehicles going in and out of that area, going forward and that is right at the place where Parkway and the Gardiner come together.

To really show you what this means, I want to read you an email that I got before the Gardiner debate even began when we announced that we would be opening the lanes on the Expressway's western deck, which were under repair. And you recall that I convinced my council colleagues, and they were easily convinced because they knew it was the right thing to do to invest $2 million to speed up the construction of the Gardiner, so we could open the lanes a couple of months early. Here is an email that I got, and I will just read it to you. I have read it publicly before. It came on April the 23rd, the day after we opened the Gardiner lanes back up early:

Yesterday, my commute went from 45 to 60 minutes back down to under 20 minutes. I don't think I realized just how stressful that had become until I found myself singing, "It's open; it's open; it's open" with tears in my eyes as I sailed down the Gardiner at 80 kilometres per hour yesterday morning. Thank you for getting it done early. As a result, I get to spend an extra half hour with my daughter this morning and every morning after that. These things make a difference in people's lives."

That is just one. I can read you emails like that from people who are just ordinary citizens trying to get to and from their work or trying to get to and from somewhere or from business people who are just trying to get to and from their work and just trying to get to and from their customers, for example. To me, all of this, the framework through which we look at this kind of decision, has to be at least in part about that, about helping people, helping them to get to work on time, helping them get home on time, helping to give them more time with their kids and with their families and their friends.

A great city, yes. A great city is one in which you enjoy all of the great features, the waterfront, the museums, the restaurants, the festivals, but it is not a city that is endlessly plagued with endless traffic delays, congestion and gridlock. I do not believe that is the kind of great city that I was elected to build.

Now, to say the debate on this issue has been vigorous would be an understatement, but there has been—and in the course of vigorous debates this can happen, and, I think, even intelligent people have caused it to happen in this case—a lot of misinformation out there, which is why I want to talk to you a little bit about the arguments that are being presented. Let us start with the cost. First, let us tackle cost and why I believe the hybrid is, in fact, the fiscally responsible choice. There have been a lot of numbers floating around out there about all three options. But, if we want to get a real sense of the cost, we should look at the question of how much money the city would need in the bank today to build any of these three options. That breaks down as follows: $336 million for hybrid, $240 million to remove the Gardiner East or $291 million to maintain the Gardiner as it is.

So there is a difference between the hybrid and the remove options and, if you have done the math, which many of you are fast enough to do, it is $96 million. But, what keeps getting lost is that none of these projections include the cost of congestion, and both the Toronto Board of Trade and the objective city staff report, which does not itself make a recommendation on which option should be chosen, indicate that the cost of removing the Gardiner East to the economy would be $37 million per year due to increased congestion and lost productivity. So, in effect, three years after we remove the Gardiner East, the difference in price between remove and hybrid is a wash, because you have had three years of this damage and cost to the economy and after that it would actually cost the city money and jobs every year thereafter that the Gardiner-Parkway connection was gone.

I believe that if we told the citizens of this city that we are going to spend money to increase their commute times and cost our economy millions of dollars more every year going forward due to increased congestion, they would say we were nuts, and I would say they would be right. That is why I believe the fiscally responsible choice is the hybrid, the one that does not increase congestion, the one that does not take more time away from the people of this city and the one that will not harm our growing economy.

Now, let us deal with the issue of the waterfront access. The hybrid removes as much of the Gardiner East as possible opening up the Toronto Port Lands and our waterfront and enabling the billions of exciting development that I talked about and the thousands of jobs that will go with that development, which I talked about earlier, but still at the same time maintaining in place what I believe to be that critical connection between the Don Valley Parkway and the Gardiner. Now, some say even leading up a small portion of the Gardiner East, as the hybrid would do to maintain that connection, will block access to the waterfront. I would invite you all to look at the next photo behind me on the screens and in front of you right now.

You will see just the photos look remarkably the same, and you will see what looks like a large second highway just to the north of the Gardiner. You will see that it is marked in red there. That is not a roadway. Do you know what that is? That is the railyard, a railyard that will not be moved in our lifetime. It is the railyard through which the freight traffic and, perhaps, more importantly these days, all the GO train traffic and passenger traffic passes each and every day. You can see it marked on there. That area spans eight kilometres along the central waterfront and is 120 metres wide. There are only eight pedestrian access points to get to the waterfront, often through gloomy tunnels or equally drab bridges.

Many experts say and have said in this discussion that—and not the Gardiner—blocks access to the waterfront, and I think if you look at this photograph, you might well agree. So, again, when people stir up emotions, claiming that we are irrevocably blocking our waterfront by maintaining a very small portion of the eastern Gardiner to make sure we can have that connection between the Gardiner and the Parkway, I simply point them to the facts. The facts are clear to see: First, the waterfront is developing quite nicely with the Gardiner East in place, and it will develop even more nicely with a portion of the Gardiner East removed and only that portion that allows us to maintain that connection between the Parkway and the Gardiner left in place. Secondly, all the boulevards in the world—and that description of a boulevard, I will come back to that in a moment—are not going to fix an eight-kilometre, 120-metre-wide railway corridor. So, let us make the right decision. Let us make the balanced decision. Let us remove as much as the Gardiner East as possible, but still leave up that critical connection between the Gardiner East and the Don Valley Parkway.

Now, let us talk about how these options will affect traffic congestion. As I mentioned earlier, time is precious. Time is not a commodity that you can go and buy more of. While experts disagree on just exactly how much more time we are taking from the people of Toronto, the facts remain, and, number one: Removing that piece of the Gardiner on the east will make traffic worse. Every study, every single one says, to some degree or another, that traffic is going to be made worse—whether it is three to five minutes or ten, depending on whose numbers you accept, there is no doubt there will be a negative impact on people's commuting times, which are already among the longest in North America. That is before we factor in the millions of new residents—there is not a person who disagrees with this—that are coming, thank goodness, to this region over the next few years. And that is before the chaos of construction, five years' worth. Again, you will find this right in the city's report—five years' worth at least for the remove option of what is admitted to be traffic chaos; I will call it that. There would be huge detours and disruptions versus two and half years of disruption for the hybrid option. That is bad news, that kind of five years versus two, the kind of longer commute times as opposed to shorter. Bad news for families, bad news for the business, bad news for the environment, and it is bad news for quality of life overall in this city. And I did not get elected to make congestion worse. In fact, I expressly ran on the commitment that I would not do anything to make it worse and that I would do things to make it better because it was better for people and their family lives, better for business, better for the overall quality of life in this city. That is what I said I would do, and I am making my—I have made my choice of these options on that basis, and, again, I would suggest to you, the balanced thing to do is to remove as much of the Gardiner East as possible, but still leave in place that critical express connection between the Don Valley Parkway and the Gardiner so that we can keep this city moving.

Now, there has been a lot of talk about expressways and cities. I will say one thing: Rather than talk about what makes life easier for the people of Toronto, a lot of the discussion has centred around—or people have tried to make it centre around—what makes for a great city. In fact, ironically, some of the very same people who did not make the choice to build the transit and infrastructure needed to accommodate the growth of the city over the last few decades have gone so far as to say things like that the city will be a laughingstock if we kept up this small portion of the Gardiner East. I think what would make people laugh is the idea that one of the most congested cities in North America would consciously make decisions to make congestion worse. I think they would have reason to smile at that—maybe smile in a self-satisfied way—because they know that that would make us a less attractive place to live and to do business. To me, a great city is one that has to make sure it takes into account the ability of people to get to work on time and to get home on time and just to get around on a timely basis.

Let us be clear, many of you have travelled. You know this. Great cities do have expressways. Most of them have many more than we do, not to mention more transit. It is one of the problems our city faces, which is that we did not make the decisions over the years to have either more lanes of expressway or more lanes of transit. In fact, we decided, in some sort of mysterious way, to have neither of the above, and it has led us to where we are today. But, many of the great cities have more expressways than we do, not to mention more transit. Vancouver, one of the most liveable cities in the world, along with us, as voted by the *Economist* for several years, has an elevated expressway, as many of you know, that runs right through the centre of Granville Island, a huge tourist attraction. That expressway is celebrated; it is animated, and, again, it shows that great cities have expressways. London, England, one of the greatest and oldest cities in the world, has developed one of the most expansive, animated expressways in the world. Underneath that expressway, the Westway expressway, there are tennis courts, rock-climbing walls, skateboard parks, riding stables and sports fields. It is incredible. It shows you what we can do here in Toronto if we decide that we are going to be imaginative; that we are going to animate ourselves; that we are going to take advantage of the great talent that we have in this city without increasing congestion and damaging the economy.

I could go on to cite other examples: New York, Amsterdam, Tokyo. They have all confronted this need to maintain and place a balanced transportation system, but the need to make sure that that was also a hospitable, welcoming urban space at the same time. They have managed to make use of the space underneath expressways and around expressways, transforming space that was otherwise dead, into vibrant pieces of the urban fabric.

Now, we started to do that here in Toronto, so it is not something we even have to look at pictures of from far away. We have the Underpass Park, and it is something that is underneath the eastern Gardiner, and it is written up and given huge credit for being innovative and forward thinking. We find ourselves up against it now because we dithered and did not make decisions, as was mentioned in the course of the introduction, so we find ourselves up against it, and we are playing catch up when it comes to our infrastructure. But, I intend to take on, personally, the challenge of using that talent that we have, using examples from around the world, inviting other people from around the world to come here and say to us how we can take the space under the Gardiner and bring it to life; to make it creative; to make it a welcoming, urban space; to do what they have done in Philadelphia with skate parks or markets in Rio or art galleries in Amsterdam. The possibilities are endless while, at the same time, we make sure that we do not make traffic congestion worse and that we maintain in place that critical connection between the Don Valley Parkway and the Gardiner.

And so I say, respectfully, to those who disagree with me, that I remain convinced that my position is the most sensible, balanced position for the mayor of the entire city to take, and that is my job. I am the mayor of the entire city. This is not a perfect option, but I believe it is the best option. I am not the mayor of downtown developers; I am not the mayor of one political faction or another. I am not the mayor of one part of the city or another or the mayor for cars or for bikes or for trucks. I am the mayor of one Toronto, the mayor who must take into account the broad interests of all Torontonians and take into account the needs of all parts of the city and all aspects of any challenge like this—and these include all of the things that I have talked about today: The economy, jobs, people's time and so on. Those needs are going to differ depending on which part of the city you are in, but it is my job to take into account all of those different things and try to do what I think is right.

I am confident that the hybrid option is the best choice for this city, as a whole, and the best way forward. It is the best way to keep our city and to keep the economy moving. It is the best way to unlock potential and value in emerging areas. It is the best for investment and jobs. That is why so many major business organizations and unions support the hybrid option. Look it up: You will see an excellent piece in the newspaper this morning from Jan De Silva, the CEO of the Board of Trade, and you will read why she, speaking on behalf of the membership of the Board of Trade, 10,000 businesses believe the hybrid option is the right one for jobs and the economy. The same with these unions. The unions and the businesses are in the job-creation and employment business, and they know that sound transportation decision-making is key to getting and keeping jobs in Toronto. You cannot build a great city without as many jobs as are possible, and it is interesting to pause and reflect on this question: Why are so many of Toronto's businesses and business organizations and unions supporting the hybrid option? Think about that for a minute. We have a city to build and that must include keeping people moving and keeping people employed.

Ladies and gentlemen, I offered myself for this job to lead in the process of making a really good city great. My sole motive in public service and in public life is to build up the city that I love. I have spent my entire life here to make it stronger, to make it fairer, to make it more prosperous. Most days that just involves applying balance and common sense, picking the best from among options that are always imperfect, as difficult as that choice often can be. That is what I have tried to do here. I entered this week's debate eager to listen to the debate, but satisfied that the hybrid option is the best thing that we can do in the overall best interest of the city that we all love.

Thank you for your attention.

Note of Appreciation by Simon Dwyer, Director, Government Affairs, Bell Canada

Thank you. Thank you very much. On behalf of Bell Canada, I am very happy to be here to support the mayor and thank him not only for his words just now, but for the leadership he has shown in the short period of time that he has been in office. Once upon a time, before joining Bell, 14 years ago, I worked for the then mayor of Toronto, a gentleman named Mel Lastman—maybe you heard of him. He was a quiet guy. It is through that experience working in the mayor's office that I can empathize with and clearly understand the implications of what the mayor spoke of here today. The issue is and has been for some time now the seemingly Gordian knot of all who wear that chain of office. I can say with reasonable degree of certainty that when the Gardiner was officially opened that fine day back in 1966, it probably took about three days for the first public debate on, "Now what are we going to do with that highway in downtown Toronto?" And it has remained a hot topic of debate ever since, so, with that, I would like to acknowledge the mayor's vision by paraphrasing the words of another politician with great hair: "We choose to do these things not because they are easy, but because they are hard," and I would add, "because they are right." On behalf of those assembled here today, I wish the mayor and his council colleagues the greatest of fortunes as they endeavour towards the task ahead.

Thank you.

Concluding Remarks by Andrea Wood, President, Empire Club of Canada

I would like to take a moment to thank the generous sponsors of today's lunch: Bell for sponsoring our event. Thank you, Bell. CAA for sponsoring our VIP reception. Thank you. And the *National Post*, our media sponsor. This meeting will be broadcast on Roger's TV.

This is the last month of our season before we break for summer, and here is a quick highlight of what we have in store for you for the balance of the month: Tomorrow we will have Jim Balsillie, Jacquie McNish, and Sean Silcoff discussing lessons learned from BlackBerry, a very compelling business story. The Governor General is joining us on June 19th, and the CEO of CIBC, Victor Dodig, is coming on June 23rd. He is going to be speaking with us about technology and banking, another fascinating topic, I think.

Forgive the pitch, but if you would like to learn more about the Empire Club or buy tickets, you can visit us online at www.empireclub.org.

Thank you very much for coming and enjoy the rest of your day. This meeting is now adjourned.

The Empire Club Presents

JACQUIE MCNISH AND SEAN SILCOFF IN CONVERSATION WITH JIM BALSILLIE:

BLACKBERRY: LESSONS LEARNED FROM ONE OF CANADA'S MOST RIVETING TECHNOLOGY COMPANIES

June 9, 2015

HEAD TABLE:

Distinguished Guest Speakers:

Mr. Jim Balsillie, Co-Founder and Former CEO, Research In Motion

Ms. Jacquie McNish, Senior Writer, *Globe and Mail*

Mr. Sean Silcoff, Business Reporter, *Globe and Mail*

Guests:

Mr. Jim Bantis, Executive Vice-President, Risk Management & Client Services, Gluskin Sheff + Associates Inc.

Mr. Kevin Barnes, CFO, POET Technologies Inc.

Mr. Richard Carleton, CEO, Canadian Securities Exchange

Ms. Vivien Clubb, President, Providential Pictures Inc.

Mr. Mario Frankovich, President & CEO, Burgeonvest Bick Securities Limited

Ms. Amber Kanwar, Anchor and Reporter, Business News Network; Co-Host, The Disruptors; Director, Empire Club of Canada

Mr. Christian Lassonde, Founder & Managing Partner, Impression Ventures

Mr. Adam Schatzker, Principal, Investment Management, Waterton Global Resource Management

Ms. Verity Sylvester, Division Lead, TEEMA Strategic Search; Past President, Empire Club of Canada

Mr. Tim Watson, Assistant Vice President, Mizuho Bank, Ltd.

Mr. Mike White, President & CEO, IBK Capital Corp.
Mr. William White, Chairman, IBK Capital Corp.; Director, Empire Club of Canada
Ms. Andrea Wood, Senior Vice President, Legal Services, TELUS; President, Empire Club of Canada

Welcome Address Andrea Wood, President, Empire Club of Canada

Ladies and gentlemen, the BlackBerry story is one of the most compelling business narratives of our time. It is the story of how a struggling young tech company from Waterloo, Ontario fought its way to the top of the brutally competitive handheld market by more or less inventing a whole new category of handheld device with its BlackBerry device. That device turned us all into "CrackBerry" addicts and changed how the world communicated. In slightly more than a decade, "the little company that could" enjoyed meteoric growth and became an admired global giant with an astonishing $20,000,000,000 in sales, and the BlackBerry became the device of choice for world leaders, rock stars, and working stiffs like me.

But at the pique of its success, a number of factors weakened the company, eroded the market share of the BlackBerry device and triggered restructurings that saw the founders leave the company. Today, the company continues to evolve under new leadership. The company is reinventing itself as a software and security solutions provider, and, thanks, in large measure to BlackBerry, Waterloo continues to be a vibrant technology hub. So we are not giving up on BlackBerry yet, far from it. Still, there are lessons to be learned from the story I have just told, and our speakers today are here to help us better understand those lessons.

Jim Balsillie was a central player in the BlackBerry story. As you all know, Jim was the co-founder of BlackBerry, and he served as its co-CEO until January 2012. He is the founder of the Centre for International Governance Innovation, the Canadian International Council and the Balsillie School of International Affairs. Most recently he has become a distinguished op-ed writer having written a great piece that appeared in the *Globe and Mail* last month, so check it out if you have not done that already.

We are very fortunate that Jim has agreed to come to speak with us today to share what surely must be unprecedented experiences in the Canadian business world. Jim will share his perspectives on the BlackBerry story in conversation with Jacquie McNish and Sean Silcoff—Jacquie and Sean are both senior writers for the *Globe and Mail* and co-authors of a book that I am told debuted in the number one position? It is a number one non-fiction bestseller in Canada. Anyway, astonishing success with the book. And the book is called *Losing the Signal: The Remarkable Rise and Spectacular Fall of Blackberry.*

Following their conversation our speakers have agreed to field questions from the audience.

Please, welcome Jim, Jacquie and Sean.

Jacquie McNish and Sean Silcoff in Conversation with Jim Balsillie

JM: Thank you everyone for joining us today. I like to do a little survey when we have these conversations: How many people in here have a smartphone. Cannot live without it.

Well, this is a story that began with this, the Interactive 950 BlackBerry. Anyone old enough to remember using this? That long ago. This was 1999. The smartphone race is less than 15 years old, and it is a story that starts with a company above a bagel store in Waterloo. Our story and our book and Jim's story, and Mike Lazaridis's story is about the rise and the fall of BlackBerry. This is a story that shows Canada that you can take a company from Waterloo and turn it into a $20,000,000,000 company. It is a story about the most brutish, fast-paced, technological race of our generation. So the great thing about having Jim here today is that there a lot of lessons to be learned.

So have you read the book?

JB: Yes, yes. Oh, yes. I have one thing I want to talk to you about in there.

JM: Just one?

JB: Yes. My big concern is that you sort of glossed over one part: You missed that sometimes I can be aggressive and hyper-competitive.

JM: Really? Did you notice?

JB: So, I mean you only put it on every other page: I thought you would put it on every page.

JM: You know, we are saving that for the print. The print not the hardcover.

JB: But seriously, I have had many dozens of people—80 or 90—email me. They said "Wow, it's the true story!" And everybody said it is the truth, and not one person has said there is a fact wrong, so they feel that you got the story right.

JM: Well, thank you. I should also point out that we did invite Mike Lazaridis to join us today, and he chose not to come, but there will be no shortage of good stories. And what we want to talk about are the takeaways from the BlackBerry story.

And one of the big reveals for me when we were doing the book was how much conviction you need to have when you are in business, particularly, in technology, which is a face paced, high-risk business. And there is a great story that we tell in the book about the first Interactive and when it was brought here to Toronto and to focus groups. They showed it to the focus groups, and they said that there was a little red light that was going to beep, and that it was going to buzz when you get your email. That had which never been done before. The BlackBerry had brought you the first piece of the internet to a mobile device.

And when they sat in these focus groups one businessman said, "So that's going to buzz and flash whenever I get an email? Well, it better come with a hammer because I do not want anything to do with something that is going to be bothering me that much with email." So talk about conviction: How do you know to push through that kind of negative feedback and make the investment that you did?

JB: Well, when you do something like this, and you choose to be an entrepreneur and expect to be a successful entrepreneur, you have to have the ability to see ahead. I certainly saw ahead, saw that there was a shift, and Mike certainly did, too. The world—you have to remember that in the mid-90s, paging was king, and all in the innovation was two-way paging. And that shift created a very, very rare scene where you go from something to something different, and if you can shift that better, you can capture the whole embedded market. And the situation was that if we could do two-way with a different structure, which was email instead of paging, and make it very easy and intuitive to install, we could grab the market. And so it was understanding where the ball was going or the puck was going.

You have to remember that focus groups are tools for a very specific purpose. They are very good at incremental innovation, at changes around a known product—tape on a diaper or viscosity of peanut butter. But they are not very good at breakout categories. Very famously, focus groups said the Chrysler minivan was a bad idea and that FedEx was a bad idea, so it shows that we are not very good at thinking new things, and so understand the tool. It is was not hard for me to discard it. I wanted to grab that paging/messaging market when it went from one-way to two-way.

SS: Jim I want to ask you a couple of questions about commercialization: This has been something you have talked about since you left RIM. How rare it is for Canadian companies, technology companies, to sort of hit the heights, and a couple of ways are through financing and marketing. So I want to start by asking you how difficult it was in the mid-90s when you first hit the markets and were looking for financing for RIM to raise money. What was your approach when you went out?

JB: It was harder definitely to raise money back then for tech because we were ahead of our time. Tech was not as embedded in everything like it is now, so it was trickier. The approach we took is the same as investing today. Sure there are more funds that invest in tech, but people will only give you money if they think you are going to turn their $1 into $2, so you have to have a profitable business model that you can defend. Or if it is not profitable, there has to be a speculative exit strategy for selling the company. What I focused on in Bay Street was our tangible products now that were profitable and were selling, and they were the two-way pagers and modems. People liked that. They said, "Okay, that is a big market for paging, embedded modems that that's machine-to-machine," or internet of things, as they call it now. And we had PC cards. They could put a look to that and say, "You know, you make it for $1 and sell it for $2; I get it."

In parallel, we were doing BlackBerry, but we could not really sell that as a concept, and so when that happened, we seeded it into mainly Wall Street in the US to begin with. And after they used it for a little bit, the US capital markets exploded with interest, so there were very different strategies, and you have to play the card that can be digested at the time, but it is always about a profitable business model that can be defended where an investor says, "If I give you $1, I think my chances of it doubling are pretty good."

And that has not changed, but we were ahead of our time, like, ahead of the market. It is pretty common now: Everybody is more speculating on tech now, but it was a different time then.

SS: I think a lot of people think, particularly with technology, that you just develop a fantastic new product, and it will sell itself, but you had a secret strategy—well, not so secret, but a strategy of hiring these kids—

JB: Yes.

SS: I love the story you told us about how people would ask you, "Well, how do you get people to come to the small city of Waterloo?" And you said, "No, no. The people we hire look forward to coming to the *big* city of Waterloo."

JB: Yes.

SS: Tell us a little bit about your strategy, of this guerilla marketing strategy of hiring these evangelists to get this into people's hands.

JB: Yes, well, I mean a lot of those people we hired—I believe in small-town class valedictorians who I just think they are so smart and are so determined. They are family prodigies, and you can grow with those people, and I am a big believer in the guys I mentor, in investing in young people. Take the time, and spend two or three years: They will blow the door off whatever you could expect.

It is very hard when you are a small newcomer to break into a market because the odds are stacked against you, and there are entrenched structures in a market, so when I hired these guys, we created a seeding program because Palm had an ad campaign, a $100,000,000 ad campaign. They were the guerilla. They with

Claudia Schiffer on all of the Palm Pilots—we could not touch that. And they were way bigger than us, like, 12-fold, so we seeded it to the CEOs, and that inverted the power structure. It was the first "bring-your-own-device," literally. It was designed BYOD to subvert the power structure of the IT department, and then that pulled them through because the IT director would walk in to the CEO's office and say, "You can't do that," and the CEO would say, "You work for me." And it was very deliberate, and then these evangelists fanned out across North America seeding this, and it was very tactical; it was. I tell people in marketing, "Marketing is surgical; it's deliberate." Yes, you adapt along the way, but it is not throwing spaghetti against the wall.

JM: Was there a moment in that seeding process with the CEOs that you knew you had it right? That you had something?

JB: The time I knew we had something was when the CIOs and the IT directors were forced to install our servers. Then you are in the house; you are hard to get out. You are *in*, and you got the keys, and it is like, "Yes." And that created all kinds of other ways we could wedge on, so that was the time when I knew we had something big.

You know we never rested on our laurels. It was an incredibly rushed ride. I mean for even when we were the fastest growing company in the world for five years, I never felt we were safe. We disrupted major, major players; we really knocked major companies badly. And you know that you, the disruptor, can be the distruptee very, very quickly, so in tech, you have cycles; you have windows; you have to make hay while the sun shines and grab as much market as you can, make as much progress and profits as you can. And you know that there is another game, so that is how we did it.

JM: So Sean and I had a private working title for our book. We called it "Game of Phones" because there were bodies; there was blood everywhere—blood sport on every level. And one of the bloodiest battles that a lot of people do not realize was with the carriers. Steve Jobs used to call the telecom network carriers, the "four orifices." You could not innovate unless you went through the four orifices.

JB: And I am called aggressive? Come on!

JM: So, here you are: BlackBerry. You are the early innovators. You dominate the market in the late 1990s, early 2000s. How do you navigate these giant carriers who are telling you what to do every day, every minute of every day?

JB: It is very challenging working with them. Back when we launched BlackBerry, the sentiment in the market was that the carriers were dumb pipes, and the over-the-top players were going to kill ‘em: “It is going to be AltaVista, Lycos, Yahoo, Lotus Mail, Microsoft Mail,” and our strategy was to make the carriers strategic services platform and sell through the carriers with the carriers where they took a solution to the markets so nobody came between them and their customers. And it worked, and that grew to a service fee well over $5,000,000,000 a year when I retired and 90% profit, so we were making more than $1,000,000,000 a quarter as the first wireless cloud company in partnership with the carriers.

That is how we did it, and then we invested all kinds of time and teams dedicated to the carriers and channels, co-marketing programs. It was a very powerful relationship that, you know, I had. I am not a wallflower in negotiations.

JM: Really?

JB: But they said, “You know you’re difficult to deal with, Jim, but we know we can trust you,” so everybody always thinks $1,000,000,000 is better in their pocket than in your pocket. I just consider that business, but you never screw them.

JM: But, you did have to employ certain stealth moves, like, if you wanted to put an app on your Blackberry, there were times when you snuck that into the system.

JB: I mean there is definitely an element of asking for forgiveness rather than for permission, yes. And there was Mike and I. We would bob and weave, like, "Oh that Jim sometimes …," or "Oh, that Mike…," so there was a little bit of good cop/bad cop. But, you know, every business is highly tactical. I mean who has not gone to buy a car where the guy says, you know "My boss beat me up" to get that lower price, and, meanwhile, they were just talking about the score of the game last night, and it comes out like, "Oh, I almost lost my job!" So there is a lot of theatre in business, and it was very aggressive. And you have to remember that many very major tech companies and handset vendors have gone bankrupt selling to carriers, so they take procurement to a sophisticated art form and they play hard, so you have to play very sharp back. You have to have a strong position, and then hold it, and I think we did that from the entry point in the investment. They were grumpy about the extension of BBM. They were grumpy about some of the apps they were grumpy about and about putting a browser in it, but the sales kept getting bigger, and they were making good money, so forgiveness always seemed to come a few days later, a month later. It was all lots to deal with operationally; it was incredibly demanding. It was the greatest rush you can imagine, but it was a pretty clear set of executional elements as we were the fastest growing in the company until there were strategic shifts in the industry in 2008.

JM: And just to finish off the notion of the carriers and the four orifices, a lot of people talk about RIM and the turning point being when Steve Jobs walked onto the stage in 2007 and waved this little glass device called an iPhone. But a very big element of that day was the presence of AT&T executive Cid Seidelman, who announced a multi-year unique exclusive deal to sell the iPhone. Why was that so important that deal?

JB: Well, that was a seismic shift in the industry. And with Stan, there were a lot of very aggressive moves against us over the years to shift our position, and there was more that will never come to light, so you have got to give as hard as you get, but that shifted the game because they gave Apple the keys to the product in the high end and unlimited data in exchange for an exclusivity because that was really a big part of rebranding the network in the merger to singular at that time, so it was all a big plan, yes.

And so for us, it catalyzed a lot of what I call "strategic dissonance" because you have to remember that, at that time, we were the fastest growing company in the world, and, for two years after that, we continued to be the fastest growing company in the world. We were selling these low-end entry phones called Gemini's and then Curve's like hotcakes. They were flying off the shelves. We had grown to 600 carriers across the world. You do not want to know how many plane flights—and it was remarkable, and so we were owning the low-end. And they were all using BBM, but then we responded to that with the Storm, as a high end product for our largest customer in the US or in the world, Verizon, in partner with their half owner, our third largest customer, Vodafone, because our second largest customer AT&T had decided to marry another beau or belle, and so it was a very strategic shifting time for the company, very substantial, very predatory. This is not a regulated oligopoly, this is not banking or oil sands or resources or tell-it-like-it-is. The people play very predatory, very aggressive, and they will shift the sands in the blink of an eye. And that really threw a shift at the time, yes.

SS: Yes, if I can pick up on that Jim, I mean it is really astonishing when you look back at that story. I mean it is a rise and fall, as we say in the title, and it is amazing how quickly things shifted. As you said, Verizon came to you a few months after the iPhone came out and said, "Can you give us a piece of glass?" And the product that came out was the Storm, and it was not really what Verizon was looking for. It was not what the market was looking for. There were a lot of problems—we talk about this in the book—and, before you know it, a year later, Verizon turned to Android to Google and Motorola. And within a year of that product debuting, a year after the Storm had

had that same sort of Thanksgiving poll position to hit the market, Android was the number one platform in the world. Tell us a little bit about the impact of that turn, and, for the benefit of everyone here, what sort of lessons do you take away from that whole period?

JB: Oh, well, I forgot about the Storm. Yes, the impact was devastating. Verizon was our largest customer in the world, and the product had 100% returns, and they fired us as a vendor.

JM: They not only fired you, but they asked you for something.

JB: Oh, yes, they asked for half a billion dollars, and that was another special day. And so here you are being fired by your largest customer, and your second largest customer is partnered with iPhone. And you know, the lesson is that there is a fine line between ambition and biting off more than you can chew. With Storm, we tried to do too much: It was a touch display; it was a clickable display; it was all about a new application and media things all done in an incredibly short period of time. And it blew up on us, and that was a time when I knew we could not compete on high-end hardware anymore. And we were selling these low-end devices like hotcakes, but that really torqued the strategic confusion because were we high-end? Were we low-end? Were we a closed application store like Apple? Or we were open as the carriers all wanted?

And then at that time, with Android emerging so strong and Apple emerging so strong, I strongly believed we had to open up BBM as a messaging services platform for everybody to protect our service business because that was our profit. People thought we made our money on handsets. We made our money on the services business—it was a "look over there," and that is a good business tactic: You make them think you make your money here so that they do not go at you there. And I wanted to protect the services, and I just did not believe we could compete in the high-end of hardware anymore, so it was difficult. It was a real shock to the company.

JM: You shared with Sean and me a quote that we actually use in the book from Mike Tyson which is, "Everyone has a plan until they get hit."

JB: Yes, it is one of my favourite lines.

JM: Yes, there were a lot of hits for BlackBerry during this period. I mean you had everything thrown at you. You had the regulatory issue with the backdating of the stock options—

JB: I forgot about that.

JM: You had drunk Scottish RIM employees on a plane chewing their way through restraints before they were arrested; you had riots in Indonesia; and you had the patent battle with NTP.

JB: Yes.

JM: Which was a particularly difficult issue for you. I think the question a lot of people would ask is why did it take so long to settle that case?

JB: Well, I mean, tech is a very complex game, and you mention that essay that I wrote, and there is a lot of punditry out there. It is far more complex than meets the eye. If it was so easy, lots of people would build a $20,000,000,000 company. So the cavalierness with which we treat these kinds of achievements is worthy of a little bit of reflection.

What happened was there were mistakes in the trial, and you wrote about those in the book, and then there was a judgment. And the tricky part about the judgment is it was not just a fixed payment. It was, I think, 6% of our sales in perpetuity. Now, that is $1,000,000,000 a year—pure payment.

Second of all, they refused to do a principle that is called "patent exhaustion." They reserved the right to go sue our carriers for 6% on their cellular bill for BlackBerrys. That is another billion dollars a year, so settling that deal was instant death for BlackBerry. Instant death, I guarantee you. But you have got a judge that says, "If you won't settle, I'll pull the plug on you," and that is instant death. And my job is to give everybody confidence, so I am literally on half-hour calls all day with our top CIO's, our top carriers, our top investors, our employees, our suppliers.

And I remember people saying, "How do you do it?" And my response is, "What option do we have?" And so, you just play it out. It was a difficult time because I knew I was the leader of the company, and you are in a zone of death, and I did not know what to do. And a couple very wise men who I know, very famous wise men who were quiet mentors said, "Just keep swinging; just keep swinging. Do not show weakness." And that was not easy. It took two and a half years, and then we settled it. We paid a cheque for $600,000,000+. The patent office had cancelled the patents. But the court did not give that acknowledgement, and you save the company by that, but any earlier settlement would have killed the company.

There was no cause for settlement or celebration. You cannot brag about it because you still got post-settlement motions and skirmishes and all that. And you have been a death sentence reprieved for something that seems senseless, so we just put our head down and grew the fastest company in the world for the next five years.

SS: So, on that point, it is interesting because people saw it as a major setback for the company, but it was like you were doing a quiet happy dance in a way that you only had to pay that one time—?

JB: It did not feel happy. It is kind of like your child living through a senseless accident. You are happy that they are alive, but it is not a happy dance. But my goodness you are relieved. I do not have good words for it.

Questions & Answers

Q: To what extent did your three very public attempts to buy a hockey team distract you from the challenges of RIM?

JM: There are a lot of people nodding their heads here.

JB: Not one bit. I had a team working on it full time. In 20 years, I did not miss one day at work. I did not miss one meeting or one email or one phone call or one document to review. I downed tools with it in summer of 2009, and I never thought about doing anything like it, or doing it since. I recognize now that it gave a lot of people an opportunity to a pundit, to make a very simplistic conclusion in a very complex situation that the company was facing in very seismic industry shifts.

Q: Is it harder or easier for tech start-ups to succeed today in Canada?

JB: I think it is easier to start now because you have got all these incubators. There were like ten of them in Canada ten years ago or 12, and now there are 160, so there has been a huge growth in them. It is easier to get started, but it is much harder to scale. I wrote this essay on the incompleteness of our infrastructure for tech companies in Canada, and it is seriously incomplete.

My experience in Ottawa and in Queen's Park is that they do not understand how the innovation economy works. There is—it is not for lack of spending money. We spend lots or more than anyone else, but we just do not have the outcomes, so it is easier to start, but it is harder to scale because I have seen around the world how public and private actors work together to ensure the companies scale.

And I do not know if you read the ROB this morning. Did you see the—did anyone read the ROB? There was an essay on standards. Did anyone read it? You guys, what do you do?

JB: And when you do the tech game, so much of the battle is ingesting your standards. The internet is all about ingesting your standards, and if you get your standards ingested, you will win the lottery. And if you do not: Steak knives. And you will mostly spend $1,000,000,000. One is going to turn into a $10,000,000 company and the other is going to be a $10,000,000 company. Ten billion. Ten million. And they talk about all these standards, efforts. The Canadians are never there. And this is a guy who has done it in Israel, China, the US, and he is a real expert on it, and so I have a real issue on sending our great entrepreneurs into battle under-resourced and under-supported. Nothing bothers me more than those who have not fulfilled their public policy obligations but blame entrepreneurs for an absence of fire in a belly. I just have never seen entrepreneurs without ambition willing to work hard and be successful. It is a predatory world out there.

You know Mark Zuckerberg had his first lawsuit at 19. He had seven by the time he was 21, and he has got over 100 concurrent patent lawsuits right now. It is a predatory world out there where everybody believes that billion dollars is better in their pocket than your pocket.

And smart countries have a very sophisticated public-private interaction, and it is just simply AWOL in Canada. It is not because we have weak entrepreneurs; it is not because there is insufficient venture capital, and it does not take any money to fix it, but we have to come at it in a re-imagined way. And it is not because our entrepreneurs are not exceptional. They really are very good. I remember meeting Mark when he was itty-bitty—really small. All these guys, and these guys are no better, no smarter than our people, but there is something missing in the infrastructure, and we have to fix it.

JM: You know, it is interesting that you mention that. Sean and I were in Ottawa last week talking to tech lawyers, tech executives and even some ex-RIM people. There are a lot of ex-RIM people who have started start-ups. It is a great dividend of BlackBerry. And a young man asked us, with a very plaintive look on his face, "Is it possible for a Canadian start-up to succeed?" And

Sean's very smart answer was, "We shouldn't even be asking that question." What would you say to someone like that?

JB: Oh, absolutely. Absolutely, you can succeed. I mean, yes, you can build a $20,000,000,000 company from Waterloo. Silicon Valley has no monopoly on commercialization, sure. You have to get the conditions right in your organization and in yourself, and you have to get the conditions right in the broader infrastructure.

But, I really do talk to these entrepreneurs lots, and I wish them so well. There are elements of the organization, elements of themselves, but one of the things I say in Canada is we need a lobby for indigenous innovators. Believe it or not, it is not there. Like if anyone here has a tech company, who do you join to go and take your voice to Ottawa or Queen's Park? They are all dominated and populated by foreign multi-nationals, and when I ran RIM, let me tell you that the person who was head of Germany, or Brazil, or Indonesia—I really did not focus on Brazil's economic advancement. I worried about Canada. The roads go back to the headquarters always, and the big returns go back to the headquarters. That is just how global commerce works, and so we have to fix these things. They are all fixable, and they do not cost any money, but we have to start to see how predatory this game is.

And you talk about the hits, and, yes, there were hits—and do not whine. Do not complain—I do not think I want to complain. But go understand what you need and fight for it, and fight hard for it.

We founded Communitech. I was a co-founder of Communitech precisely so that we could go as one voice to Bay Street and one voice to Queen's Park and one voice to Parliament Hill and hog the puck for things we wanted for our companies. And the quid pro quo was, we promised to grow good Canadian indigenous companies. It was a fair deal. And we fought hard for what we wanted, and we upheld our end of the bargain, so there seems to be passivity to that right now, and I keep saying, "Guys, go and join up." If you put a dozen really strong emerging tech companies together, and you show it up at a cabinet minister's door or an incubator's door or a university's door, you are going to get an audience. You are going to get influence, and it has to be for your sector.

Q: What kind of smart phone do you use now?

JB: Well, you know, you have fun. The fact is that I am not very sentimental cause business is not a sentimental exercise. But when it comes to smartphones, I am sentimental. I use a Bold. I love it, and you will have to pry it out of my cold, dead hands.

SS: He even uses a Playbook. I have seen it. That is dedication.

JM: Runs his music off the Playbook.

JB: Read my newspapers on it.

JM: All right. Any final words?

JB: Yes. Yes. I would like to say it was a real privilege to spend 20 years with Mike as a partner growing RIM—just a world class engineer in designing and developing BlackBerry together. And I want to give such thanks to the people I work with. We worked so hard together; we were so tight; we left nothing on the table. We decided that we wanted to change the way the world communicates, and we achieved it, and it was—you just cannot know how special that was to do that with people. We prospered mightily. We changed the world, and these are people doing amazing things around the world right now—start-ups and major things in companies. And so just to have that experience—I just am so thankful.

Also BlackBerry is a thriving company. We have got thousands of people working very hard every day. They are profitable, and I think we all owe it to cheer them on. Thank you very much. Thank you.

AW: Thank you very much, Jim. I just want you to know that when Eric Schmidt opened our season for us, he was asked the same question and he pulled a BlackBerry out of his pocket.

Note of Appreciation by Michael White, President & CEO, IBK Capital Corp

Madame President, distinguished head table, guests, fellow members, and guests of the Empire Club of Canada, I have the pleasure to express our formal thanks to our three key speakers, Jim Balsillie, Jacquie McNish, and Sean Silcoff. It is fitting that you have become part of the Empire Club's "Sprit of a Pioneer Series." You embody what it means to be a pioneer, the precise definition being, "One who helps to open up a new line of research or technology."

Jim, your creation, the BlackBerry, began what is now a smartphone phenomenon. In the first quarter of 2015, vendors shipped a total of 334.4 million smartphones worldwide according to the IDC. And you and your partners at BlackBerry started that. Jacquie and Sean, your book gives us unique insight into Research in Motion and the lessons learned from one of Canada's most riveting technology companies. Your collaboration with Jim will, undoubtedly, benefit countless tech entrepreneurs and Canada's technology landscape.

Thank you for visiting with us today and sharing with us how the company pioneered this smartphone industry and forever changed the way we communicate. We wish you continued success in all of your endeavors.

Thank you.

Concluding Remarks by Andrea Wood, President, Empire Club of Canada

Thank you. Before we all leave today, I would like to take a moment to thank our generous sponsors: First, IBK Capital Corp—thank you very much, IBK; Providential Pictures; Impression Ventures; Canadian Securities Exchange; Gluskin Sheff and Associates; Virgin Best Bic Securities Limited. We are very grateful for the support. Thank you all.

I would also like to thank the *National Post* as our print media sponsor. This meeting will be broadcast on Rogers TV.

Ladies and gentlemen, if you are thinking about coming to another event this season, you need to act fast. We have only two more events before we close for the summer, and they are doozies: We have got the Governor General coming to speak to us on June 19th about what we are giving to Canada towards 2017. On June 23rd, Victor Dodig, CEO of CIBC, will speaking with us about a topic that is near and dear to my heart, technology and banking, money and technology—great topic. Please, join us.

If you would like to learn more about membership or our upcoming events you can visit us online at www.empireclub.org, or you can also follow us on Twitter @Empire_Club.

Finally, just one little announcement: Jacquie and Sean have kindly agreed to stay on following the event to sign books, so there is a table set up outside. Feel free to visit them and have them sign the books that you have been given today. Thanks to IBK Capital. Thank you. This meeting is now adjourned.

The Empire Club Presents

HIS EXCELLENCY THE RIGHT HONOURABLE DAVID JOHNSTON GOVERNOR GENERAL OF CANADA:

TOWARDS 2017: WHAT ARE WE GIVING TO CANADA?

June 19, 2015

HEAD TABLE:

Distinguished Guest Speaker:

His Excellency the Right Honourable David Johnston, Governor General of Canada

Guests:

Dr. Eric Jackman, President, Invicta Investments Inc.; Chairman, The Jackman Foundation

Mr. John Lucas, Private Secretary, Office of Rt. Hon. Hilary Weston

Ms. Connie MacDonald, Assistant Vice President, Programs, Events & Commercial Services, Royal Ontario Museum

Ms. M. J. Perry, Vice President and Owner, Mr. Discount; Director, Empire Club of Canada

Mr. Mark Rowe, Trustee, Halton Catholic District School Board

Mr. Matthew Rowe, Manager, Operations & Partnerships, Prince's Charities Canada; Director, Empire Club of Canada

Ms. Kimberly Smith, Honours Graduate, Office Administration Executive Program, Centennial College

Mr. Michael Wilson, North American Transit Lead & Managing Director for Corporate Citizenship Canada, Accenture

Ms. Andrea Wood, Senior Vice President, Legal Services, TELUS; President,

Welcome Address by Andrea Wood, President, Empire Club of Canada

Ladies and gentlemen, it is a great privilege for the Empire Club to welcome to its podium Canada's 28th Governor General. David Johnston is a remarkable man. He is a scholar, athlete and dedicated public servant. He has served on many provincial and federal task forces and committees. He has written or co-written 24 books. He holds honorary doctorates from over 20 universities, and is a Companion of the Order of Canada. Just prior to becoming Governor General, he served as the fifth President of the University of Waterloo. He has been named to Harvard's Athletic Hall of Fame, having distinguished himself playing the most Canadian of sports, hockey. So, he is very accomplished. I think you get that. But the thing that is the most amazing about him is he is a recovering lawyer. It endears him to me. I am sure you will all agree that we need more lawyers in positions of authority in this country.

On a more serious note, the Governor General is here to speak with us today about the challenges Canadians face as we approach our country's 150th anniversary in 2017. He will explain to us his vision of that anniversary as a catalyst prompting each of us to think deeply and creatively about how we can give back to our country. His speech today is timely. If we are to make the anniversary meaningful, we need to seize the occasion today. We are delighted to have him sharing his vision for 2017 with us today. I would now like to invite the Governor General to the podium.

Right Honourable David Johnston

Andrea, thank you very much. I have not satisfied the precondition to be a recovering lawyer, and the precondition is this: I am on a one-year leave of absence from my law firm. The reason for that is I was in my third year of law, my own year of law in Canada; I had started in the UK for a couple of years and in September, the first month of those studies, I went to find my articling position, one year of articling for the next year and was all signed up. And then, the next month, the dean of the law school said, "We'd like you to come and join the faculty." I said, "I'd love to, sir, but I can't." He said, "Why not?" I said, "I signed my Articles of Indenture," and he said, "Oh, pacta sunt servanda, contracts must be honoured." I said, "Well, something like that, Sir." He said, "Well, I'm glad to tell you that contracts of personal servitude were outlawed in the British Empire 200 years ago. You're a free man," and he said, "Why don't you ask them if they'll release you from your Articles of Indenture?" So, I went to see Purdy Crawford, Don, you would know Purdy—many people in the room would be—to whom I was articled, and he said, "Well, what would you like to do?" And I said, "Well, I'd like to teach for a year or so." He said, "Well, you go and do that, and we'll give you a leave of absence, and when you've got the courage to face the real world, come and we'll teach you how to practice law." For the five years after that, I went back to renew it, and I go back to see the firm about every three or four years, and I just remind them that when I have got the courage to face the real world, I am going to come, and they are going to teach me how to practice law, and it terrifies them.

So, my question to you is where were you in 1967? I see a few fresh faces out there. You are too young to remember that special year. I also see some people here today with grey hair like mine. Don, you celebrated your 80th birthday yesterday. Happy Birthday. Much grey hair, my cousin here. I think most of you remember 1967. I sure do. During Canada's centennial year, I was a young law professor at Queen's University in Kingston. I was a very green teacher at the time, second year as a law prof. I was also a very green husband. My wife, Sharon, and I had been married for three years—now, it is 50 plus—and we just started to plan the arrival of our first child.

So, an inexperienced professional, fledgling spouse, I was like many Canadians at the time. Our emerging generation of men and women shared some important qualities. We were confident, forward thinking and ambitious, and we expressed those qualities in many ways during our centennial year. And I still have the most vivid memories of that time. Canadians built hundreds of arenas, schools, libraries, community centres, in which young athletes, students and families could play, learn and grow together.

Qui ne se souvient pas d'expos soixante-sept, plus qu'une célèbration du Canada ce fut notre cadeau au monde entier. Pourquoi avons-nous célébré notre centenaire? Pourquoi avons-nous donnez de façon si grandiose et si génereuse?

Our centennial was an unprecedented opportunity for our entire country to reflect, to take stock and imagine our future, a future that would see us stride continuously closer to fairness, equality and justice.

Looking back over 100 years together gave us the power to look forward and focus all of our attention and energy on bringing about that kind of Canada. Well, much has changed since our centennial year. For one thing, Sharon and I have now been married for almost 51 years. We have five children, and as of two weeks ago, 12 grandchildren. Much has also changed in our country. We are a much more diverse country now, a fact that puts increasing emphasis on our ability to remain tolerant of our differences and inclusive in our outlook. We are a more urban community, country than ever, and we are grappling with the difficulties of living in, working in and getting around our growing cities. Much has changed in our world, too. We are living through an extraordinary moment in time, a hinge point in history—profound globalization, disruptive technological change, major demographic shifts, momentous concerns related to our natural environment, changing attitudes towards and expectations of governments and public services.

So, with these challenges at home and beyond our borders staring us straight in the face, I have a question for all of you here today: What are we giving to Canada on its 150th birthday in 2017? More broadly, what are we doing to make Canada a truly smart and caring nation?

An occasion as momentous as Canada 150 comes along only once, maybe twice in a lifetime. How are *you* going to use this rare opportunity to do something special for your country to give a gift to Canada, because, after all, that is what we do at birthdays? As Governor General for almost five years now, I have been crisscrossing the country meeting and speaking with Canadians of all ages, regions and backgrounds, and I have asked them to think deeply about this question of their gift to Canada. We are now just a year and a half from 2017. Canada 150 is fast approaching. Now is the time to put plans in motion, to turn ideas into action, the time to act because the country we dream of will not build itself. It requires strong wills and innovative actions.

Well, what do I mean by "innovative"? Innovative is a word that gets bandied about quite often, so much so, that it is no longer anchored in any real meaning, but being innovative is not being inventive. Innovation is a process, a means by which we improve productivity, and—this is essential—create better ways for people to organize, operate and live.

Such improvements and adaptations are vital to maintaining and advancing our quality of life in Canada. So, just as we must innovate in science, in engineering, medicine, education, we must innovate in how we give. We must use giving to reach marginalized people and unaddressed collective needs. We must give in ways that ensure every single Canadian can reach his or her full potential and enjoy a life of dignity and meaning. We must give using increasingly effective and more ambitious methods to overcome the daunting challenges we face right now in our time.

Well, what does innovative giving look like? Here is an example: I was here in Toronto earlier this month at the MaRS Centre for Impact Investing. Impact Investing. Members of the G7 Social Impact Investment Task Force were also there gathered in Canada for the first time. Those men and women were working together to gain a better understanding of how to harness private capital for public good while generating financial returns for investors. This kind of investing recognizes that Canada, like its G7 partners, faces significant social and environmental and financial challenges. The scope and gravity of these challenges call on us to be innovative because governments sometimes lack the ability or the flexibility to respond adequately. It is not that there is not enough money in the world to address these challenges; it is that the money is tied up in financial markets held as interest-earning investments rather than

being deployed where it is needed most.
Alors que nous investissons notre argent afin d'aider les gens les communautés et la nation à se mounter le de vie et ce tout en donnant des revenus aux investiseurs, nos dons sont innovateurs quand ils créent quelque chose de positif.
Social impact is just one example of unlocking our assets for the greater good. Our task in the next year and a half is to uncover and start carrying out more such examples of innovative giving. I have no doubt we can. I would like to emphasize the importance of being smart in our giving as well as caring—keener minds and kinder hearts. Smart giving means two things: being innovative as I have just mentioned, as well as constantly measuring our impact. Both are so important. Social finance is a great example of smart giving, not least because of its focus on measuring impact. What is the social impact of this particular investment? Measurement allows us to chart progress, improve performance and communicate value. It also allows us to avoid unnecessarily duplicating efforts and administrative costs. So, for example, if you want to support a good cause, job number one is to find a charity with the same aim. If there is not one, job number two is to ask whether you might help an existing charity innovate and fulfill that aim. And if you still cannot find a match, then job number three is to fill that gap.

With limited time and resources available, smart giving is so key. We want to form partnerships and find synergies to amplify our giving and make it more effective. We want to build on the good things Canadians are already doing. We want to be smart in our caring, and that means innovation and that means measuring impact. Our country has a long and storied history of innovation: technological, economic, political. In fact, Canada itself has been called an innovation in diversity and multiculturalism and is quite a rare specimen in that respect, an experiment to test the proposition that all the peoples in the world can live together in harmony. Just think about that for a moment.

One of the great delights of this job is you have the privilege of meeting people that impress you and cause you to think a lot. One of these was Angela Merkel, who was with us a little over a year now. We spent a delightful time at Rideau Hall, and she is a research chemist by background, and I am a university guy who is like the kid in the candy store with questions. So, she was cross-examining me quite persistently about several subjects, and I was cross-examining her, and we kind of agreed it would be ten minutes for her turn and ten minutes for my turn. One of my first turns was whither the European Union? This remarkable assembly of nations who had just won Nobel Peace Prize a couple of years before for keeping peace in Europe for 60 years—quite an accomplishment when you think of the history of the last thousand years. And so my question to her was whither the European Union. Her question to me was, "How does this

crazy quilt Canada, this mixture of so many different things work? How can it hold together?"
To answer her, I actually had a book, I guess I probably bought 50 copies of this book now, *Why Nations Fail,* by James Robinson, of Harvard, and Daron Acemoğlu, of MIT. And it has a wonderful Canadian connection: It is a product of the Canadian Institute for Advanced Research—Eric, something near and dear to your heart. The Canadian Institute for Advanced Research created by Fraser Mustard here in Toronto, which tackles those large problems that cannot depend upon their solution, the expertise of a single discipline. And the thesis of Robinson and Acemoğlu on why nations fail or why certain societies fail and why others succeed is very simple to state. It is those societies, those nations, those communities that are inclusive in their economics and their politics that are in a virtuous upward circle, and those nations or communities that are extractive in their economics and politics are in a downward circle—notice not 'inclusive' and 'exclusive', which is 180 degree relationship. It is inclusive and *extractive,* which is more like 145 degrees.

Chancellor Merkel's English is very good, but, for five minutes after I presented this book with that explanation, she broke into German. It was a little bit embarrassing because she was chatting with her ministers in German. I loved it. I could pick up enough to know that this was a rich conversation, and, in about five minutes, they identified 17 German synonyms for the word 'extraction' or 'extractiveness', and that was what she was trying to figure out, how, with this centrifugal forces, with this disparate set of colonies, etc., how could you knit it all together and the inclusiveness, of course, was the secret. That was a wonderful conversation. At the end of it, she said some very attractive things about Canada and how important that social innovation of inclusiveness had to do with the world that we are planning and how much the embrace neighbor-to-neighbour is a part of that, how important has it been from the time of the very first European settlers meeting with the Indigenous people who were already here, who were welcomed and were taught how to understand and to deal with a very, very difficult climate. That inclusiveness became part of the DNA of Canada.

Champlain's first settlement would not have survived the first two winters had the native tribes not provided fresh meat for them and a tea they made from evergreen needles that actually combatted scurvy, we now understand—they did not at the time. That is a very interesting story on that social innovation.

I would say we must ensure that we bring innovation to our giving because both innovation and giving are profoundly human processes, so we must foster a culture of giving at the community level. All giving is local, and community-based initiatives are so important. My giving moment, a social media campaign we inspired at Rideau Hall, features thousands of such individual and neighbourhood acts of caring. The campaign aims to give voice to those acts, to build up and amplify the great work being done by individuals and charities to try to build smart and caring into the DNA of Canada. That is what we do as Canadian citizens: We look after our neighbours.

So, there are stories about Canadians donating money to charity, volunteering at animal shelters, tending community gardens, offering their professional skills to those in need. I have a wonderful example: This afternoon I will be going from here to meet many of the volunteers for the Pan Am and Parapan Am Games. Guess how many volunteers are involved in that modest enterprise? It is 24, 000. Just do a financial calculus, and put a value on that contribution of 24, 000 volunteers, many of whom have been working for a year in preparation, not just the two and a half weeks of the games. It is the third largest sport international enterprise in the world, the two others being the Olympics and the Pan Asian Games.

I was in Prince George a few months ago for the Canada Winter Games. There were 4,000 volunteers from that community who had made those games work and had worked on it for a year. The Vancouver 2010 Olympics: another example of extraordinary volunteer effort. These are just shining examples of something that could not occur and certainly not occur with the quality that the Pan Am

Games and Parapan Am Games in Toronto will have and the Vancouver Olympics and the Prince George Canada Winter Games had with that kind of enormous effort. It is really something that is largely too unnoticed, but absolutely profound and essential to carry out these great endeavours. Let me move from the micro to the macro just for an example. One woman, Allison Fair, marked her 40th birthday by undertaking 40 acts of giving during her milestone year. Not only did she follow through, but these giving moments also inspired her to keep giving. "What an amazing feeling it is…," she says, "…to have someone smile at you and say, 'Thank you. You made my day.' " Such simple, but meaningful acts can inspire us to make our nation's 150th anniversary one for the ages. So, let us rise to that occasion. That is my challenge to the hundreds of Canadians here today and to the millions beyond these walls and that will be the message that I will express on July 1st, on Canada Day.

A few years ago, Calgary Mayor Naheed Nenshi challenged citizens in Calgary in a very interesting way. He had become mayor, and he had appointed and advisory committee to do things that made the community even healthier. He said, "They came up with an idea I thought was really dumb at the start, and I rejected it out of hand. But they kept persisting and persisting and said, 'Give it a try. Give it a try, and it'll work.' " So, he said, "I did." The idea was very simple: to ask each Calgarian to do three things to make

Calgary a better place. He tells the story of a little five-year-old boy who was in school, and he asked the kids if they were doing three things to help Calgary. The little boy held up his hand, "Yes, Mr. Mayor, I am." He says, "What are they?" He says, "Well, I organized a campaign to clean up the litter on the way back from school to my home," and he said, "We had a new kid in the class who's feeling a little shy, so I brought him into our neighbourhood, so he can play with my friends, and he's now become friends of all. So that's two, and the Mayor says, "What about the third?" He says, "Well, he says I promised my little brother I'd stop beating up on him." He says, "I haven't gotten very far on that one, but I'm still working." So, Naheed says that this was actually took off like wildfire. It just spread around Calgary.

And so, it was a great occasion for them, but Calgarians being very enterprising people, then came along with imagiNation 150, the group that is sparking good ideas for our 150th and said, "Why don't we challenge all Canadians to do three things for their community and for Canada?" So, I am happy to borrow that idea that began with Naheed Nenshi and then was built upon by imagiNation 150 of asking all Canadians do three things to make your community a better place for 2017. They can be big; they can be small, but make them special. Take your knowledge, skills and experiences; take your ambition, drive and intelligence; take your professional and personal contacts and use them to carry out the three giving moments in 2017. Be smart; be creative; be caring; be innovative; and then find a way to tell the country. Share with all of us what your giving moments are and what inspired you to give them. Do so not out of arrogance. That would not be Canadian, but in the spirit of confidence, optimism and altruism.

Lord Byng of Vimy, our country's 12th Governor General, once called on Canadians to have minds as vast and hearts as big as this land we love. I echo his evocative words and the ambitious energy behind him. Alors que nous préparons au 150th anniversaire du Canada en 2017. Je vous demande de saisir cette occasion unique, pour trouver des moyens innovant pour donner. Trouvez trois cadeaux pour notre pays qui feront de nous une nation meilleure, plus éclairée, plus bien veillante pour les génération d'aujourd'hui et pour les générations à venir.

And as we look toward Canada's 150th birthday in 2017, I ask all of us to take advantage of his momentous occasion and come up with smart ways to give. Remember that as being innovative and measuring impact. Find three of your own special giving moments that will help make ours a better nation for our time and for generations to come. As Lord Byng said, "With minds as vast and hearts as big as this land we live, let's make these special giving moments the great celebration project of Canada 150."

Let me end with two of perhaps my favourite lines, certainly, my two favourite lines from George Bernard Shaw who says, “Some people see things as they are and wonder why. We dream of things that ought to be and ask, ‘Why not?’ ” Why not? Thank you. Merci.

Questions & Answers

Q: Thank you so much. Thank you so much, the Honourable Governor General, David Johnston. I, on behalf of the students at Centennial College, have thought about doing three things to make Canada a better place: One is to support young people in their educational aspirations and employment search. I think that jobs is a really big issue for young people today. So, if we all can work together and give access to young people with jobs, then that would be great. And the second thing I would think about is to work for gender equality. Canada is a wonderful place for women to achieve a good career, for political participation, but I believe that there is more to do. And the last thing would be to contribute to changes in the issue of environmental protection. I believe that climate change is a really, really pressing issue in our today's society. Thank you so much.

DJ: I wish you had given a speech! What outstanding observations, sustainable development, the third one. I had the great privilege of being a Founding Chair of the National Round Table on the Environment and the Economy, and we really can work together to have economic development that respects our environment. That is possible. It just means being smart and caring, being ingenious, and Canada should do that better.

On the second issue of gender equity, I am the father of five daughters, and, this afternoon out of school time, I will be with my number two daughter, who is a lawyer who runs Catalyst Canada, which is attempting to raise the opportunities for women in senior executive positions and boards. And I was asked about three days ago, I was asked at a conference, "If you were king or queen of the world for a day, what single thing would you do?" And I said, "I would do whatever is necessary to ensure women have equal opportunity for education." If I had one thing to do it would be to ensure that women around the world have the same opportunities for education as men, and think of how transforming that would be. Think about how transforming that has been to Canada where we have come a long ways, but have ways to go.

On the first observation you make about opportunities for young people, both for education and jobs and careers, I will say two things: One is I just finished reading the Truth and Reconciliation Commission Report. It is about 400 pages long. It is about 94 recommendations—a lot. The stories are compelling, and the single most striking observation I have about that is how little we non-Aboriginals understand about six or seven generations of the life of Indigenous peoples, in particular, the residential schools, but beyond that. Our first job is just to overcome that knowledge gap, that ignorance gap. So that is a big challenge for us. How do we give Aboriginal people the equality of opportunity, so they can reach the same level of education standard, job opportunities, etc., as non-Aboriginal people? For me, I think that is the biggest single domestic challenge we have, and I hope we really answer it with 2017.

The second thing I would say about that is I love this country, and it has so many good things, and we have some challenges. One of the challenges is in an OECD graph that I often use—Organisation for Economic Co-operation Development, the 32 or so more industrialized societies. They measure social mobility in a variety of ways. One of them is a chart looking at educational achievement. They take each of the 32 countries, and they identify the degree to which children meet or exceed their parents' level of education as a pretty good measure of upward mobility. They divide each of the countries' populations into quintiles, 20% each. Guess what? The top four quintiles, the top 80% in Canada has the highest grade on that index of any countries. So, for 80% of our population, children meet or exceed their parents' level of education to a greater degree than any other country in the world. Bravo, eh? Equality of opportunity—hold your applause. There is another side of this story.

Hold your applause. The other side of the story: You think the bottom 20% would be really up there, top one, two or three. It is in the bottom third, the bottom third. So, why do you have this contrast—a country that has been… it has done so well on educational opportunity in the top 80% but not the bottom? Well, 4.7% of our population are Aboriginal peoples. You can start there to find answers, but you can look into any inner city, and you will find pockets where that just is not happening. That is a big challenge for us, and that is why your three observations are pretty attractive to me.

Q: Thanks very much. I enjoyed very much, Governor General, your vignette about President Merkel, and I think the point about inclusivity was a really important one. I wondered how or if you would share more about what she said about the future of the EU, in light of your comment about inclusivity and as well, in light of, of course, today the situation in Greece.

DJ: Well, what she said was she has great admiration for Canada and our ability to make that work. She is a very thoughtful person. She is non-combative but has a very, very strong mind, and she, in our conversation, said, "You've had a few advantages. You've had no war in your soil for 200 years. You've had a vast territory to develop and to open up, and you have had a very welcoming approach to immigrants, and you've been blessed with natural resources. But, I think most of all, the freedom from war, the freedom from civil conflict has been very big." Then I think on the complimentary side, she would say, "Perhaps because you were forced to live together with people of difference from the very beginning, to survive, you managed to learn how to live with—long before the pact between the French and English after 1759, 1763, when the Peace of Paris, and long before 1867, Champlain was such... Champlain was the first Governor. If you ask me who my favourite Governor General is, it would be Champlain. Now, he was not quite Governor General, but, essentially, he filled that function.

There is a book by David Fischer, Pulitzer Prize winner, called *Champlain's Dream,* and I held the book with me in my hand. My grandchildren call me "Grandpa Book." I love books, and I read them to them when I was announcing this position because books mean something to me. And I held it because when I read *Champlain's Dream,* my whole view of Canadian history changed. I had understood Champlain from my high school Canadian history as a conquistador—came from France, planted the Fleur de Lis, said, "We're going to Christianize the natives and take as many furs as we can out of this country and some fish as well." Wrong. Champlain, first of all, was baptized a Protestant, became a Catholic because he had to change his religion to survive. He was constantly at war with the nobility because he was trying to build permanent settlements in Canada, not exploit. He learned a number of the Indian languages himself. He established peace with all of the Indian tribes in the Great Lakes areas, except one: the Iroquois and he did not manage that because they were the enemies of all the others. He believed in a rule of law, democratic participation and building permanent settlements, which were inclusive to all. That was Champlain's dream back in 1608. And that, I think has been part of what makes Canada tick ever since. So, that is the kind of conversation we had with Chancellor Merkel. With respect to whither the European Union, I think it is going to be a tough job. She is meeting, I think, with the, well, meeting on the Greece challenge as we speak, and that is a tough job.

Q: Some of us were 21 in 1967 and worked at Expo '67, and we could not have imagined us at 150, other than we knew what age we were going to be. What do you see 50 years hence for Canada?

DJ: What a good question, John. We have thought of actually asking that question to the students from Centennial and young people across the country. Fifty years is a long way out, but it is appropriate to ask for to 15- or 20-year-olds because they will be living and raising their grandchildren in that time. We will certainly see a world that has changed a lot, but I guess, at the heart, it would be what I have been preaching about today and that is a smart and caring nation, that we will be known around the world as a place that is smart and working as hard as we can to be smart and always caring, always having a regard beyond ourselves and beyond our immediate family to our neighbours.

The smart part is something that we have had some good success in. We have a public education system that is the envy of the world. Is it the best in the world? In a number of areas it is. You look at our scores in primary and secondary school tests—on the OECD tests. This we do better than any other English-speaking nation. The Asian nations are moving well along. We have colleges and universities that are accessible, of high quality, by and large, affordable, although some challenges to do there. We, I think, have as our greatest enemy, being complacent about the gifts we have, and we will have to overcome that. But I would see us as a country in the world of 50 years hence, we will probably have a population of 75, 80 million, so we will now be up there in terms of population, but I hope we will be admired for being smart and caring. And given my background as a university educator, I would hope we would be seen as the Athens to the new Romes, the place where education, knowledge, is valued and respected enormously. And I would say the sovereignty of nations in this 21st century will be more defined not by the size or gross domestic product or how large and armada of ships they can put together, but how well they develop the talent of all their people and use that talent to improve the human condition. That would be my dream for Canada.

Other questions?

Q: Thank you very much for your comments, Your Excellency. One of the things that I have been thinking about is in some cultures, the person who is being celebrated gives a gift back rather than receives gifts, and I wonder if you can think forward to if Canada were to, rather than think about what it can do for itself, what can we, as Canada do for the world? What can we give as our gift in celebration of 150th to the world? What would that be?

DJ: Well, what a thoughtful approach to extend that notion of the family beyond the Canadian family to the world family. I would say the greatest gift we could give would be the lessons of giving back—that a smart and caring nation is a smart and caring community, is a smart and caring world, and to engender that degree of respect. That is why I would say if I had one thing to do, it would be to educate women. Why? Because I see that as such a, not only the right thing to do from a fairness point of view, but all of a sudden you take the other half of the population of the world and you develop the talent to its best—and it is a pretty talented half—and then you unleash that on the world. That would be, I think, a very important contribution. So, I guess I would answer your question by saying I would like Canada to be the Athens to the new Romes with respect to being smart and caring.

The other thing I want to say about your question is how important it is that you move from the immediate concentric to the larger. We are, as Frank Scott once said, "I am a citizen of Canada, but I am a citizen of the world, and my country is the country of the mind." We really should be thinking of the globe in that way. I tell a story about Walt Natynczyk, the former Chief of Defence Staff, and this is a from-me-to-we story. He was saying—he stepped down; we had a reception for him at the end of his command—to his old military buddies that a great transformation took place in his life when he was about 35. He had joined up in Winnipeg—a very poor family—was a star cadet and enlisted, went to university, was rising up the ranks, and he says, "At 35, two or three years before these normal promotions were made, I was Lieutenant-Colonel." He says, "I thought I reached the top of Mount Everest. I was so filled with delight, pride that my upward journey had been so rapid. And then, about a day later, I came off cloud nine, and I began to feel different, and then there was something eating away at me, and all of a sudden I got up morning three and said, 'I'm now responsible for the lives of 1000 people.' My focus went from me to we. I was no longer concerned about the great Walt Natynczyk. I was concerned about the thousand people for whom I was responsible in the very best sense." And he said, "A great weight came off my shoulder." Now, Walt is the kind of guy that probably went from me to we at about age six, but that is a very liberating experience, and I convey it to all of you from Centennial, you have done it with your three questions. You are there. But, that is a very liberating influence when the world, the universe ceases to be centred around you, and all of a sudden it becomes centred around the people around you. If you can expand that, then, to people who are really strangers, then we are really getting somewhere.

Q: **I am having trouble putting it together, but I appreciate everything you have said about youth, and I think young people are great. I have a 25-year-old. I think young people are fabulous. I am really concerned about seniors in our society. As the whole community or nation, we are more transient. We do not have roots. Even when I was a child in the City of Toronto, I knew every senior on my street, and we were sent to make sure they did**

not need something at the store or cut the grass or whatever. And people just do not know each other as well. We are not having the extended families, yourself as the exception. People are having much smaller families. They do not have the people—and more and more is having to be spent on services that used to be done by friends and neighbours and family. So, I am just wondering, what do you see is happening with seniors in this great, and I love my country, but I am just noticing more gaps and more things?

DJ: Well, a number of thoughts on a very important question. Number one, that we should think of the whole span and the whole spectrum of family, and one focuses on young, I guess, because you see such a long run. But, the second thing I would say is that caring for the seniors in our communities is beyond the capacity of governments to do by themselves. And I think that we will find this reliance upon volunteers with their time, talent and treasure, will be increasingly important. It will also be important, I think, that we rediscover the notion of family where we do not abandon our elders. Another thing I would say is that we are all living longer, and we are having to learn how to age well. I am now, I will be 74 next week. I feel like a 21-year-old, but I have never worked a day in my life. I am still on my one-year leave of absence from my law firm. My jobs have been gifts. Every morning—27 years University President, five years Dean of Law Professor—I think, "I can't wait to get in today; it's so much fun," and that is true in the present job. How do we have that experience for a lot of people? And how do we say to people, "You don't have to hang up your skates at age 60 or 65"? We have to learn, I think, how to age better.

One of the people I admire most is a guy by the name of Ron Shclegel who has just invested $50 million at the University of Waterloo in putting a teaching hospital on the campus. The teaching hospital is not a hospital; it is a seniors' village with a continuous care unit as one part and a modest care as another unit and a third unit where people move into when they have decided that their home is too big, etc. But he was very anxious that this be created in a community of young people, so that old and young would mesh together. Some of his other senior villages are located next to primary schools, and they are in urban areas. They are not tucked out in the country, so that they can have that wonderful interaction.

The final thing I would say—I can go on—is the Vancouver Community Foundation did a study of the most pressing need in Greater Vancouver, and there are lots. But guess the one that was overwhelmingly there? It was isolation, particularly, among seniors.

So, that is an enormous challenge for us. How do we overcome that isolation? How do we build the community networks, reinforce the family? And surely governments do what governments can do well and then have the community and voluntary sector help with the rest and learn how to age well. I would love us to be the country where we have the best applied research in aging well in the world, and that is not just putting off the achy knees and getting the spare parts; it is learning how to psychologically and mentally and socially function well. Thank you very much.

M: Thank you. Well, lots for us to think about for 2017 and beyond. I would like to invite Mr. Matthew Rowe, Director of the Empire Club, to join me on stage to thank our speaker.

Note of Appreciation by Matthew Rowe, Manager, Operations & Partnerships, Prince's Charities Canada; Director, Empire Club of Canada

Thank you very much, Andrea. The role of Governor General is a mighty one. The Constitution has an entire section devoted to it, and, interestingly enough, the word 'Prime Minister' never shows up once. But, it is a lot of responsibility. There is a lot of razzle dazzle, and it can easily go to one's head. And yet, Your Excellency, you have approached the role with characteristic humility, with a lack of pretention, which I think can only be described as Canadian. Traders, as an example, traders on Bay Street who were taking an early lunch today, might have been surprised to see Her Majesty's representative just walking up the street from his hotel to come to this event. I think it speaks to the kind of leadership that you have been able to provide. I have taken away from today that this is—there has been a challenge put out to all of us, and I hope everyone here leaves this lunch thinking about how they will give back, what their giving moment will be for Canada 150. I am delighted, though, that Your Excellency, you will be there with us to lead our nation in celebration during that wonderful year, and I think our Queen and our country are very lucky to have someone like you. Thank you very much.

Concluding Remarks by Andrea Wood

Thank you. Before we all leave today, I would like to take a moment to thank the sponsors of today's lunch. Thank you very much to Accenture, and thank you very much Prince's Charities Canada. I would also like to thank the *National Post* as our print media sponsor. This meeting will be broadcast on Rogers TV. Ladies and gentlemen, bear with me. I have to do one little pitch. We only have one more event before we break for summer, and I think it is going to be a great one. On June 23rd, next Tuesday, Victor Dodig, who is the CEO of CIBC, will be coming to speak with us about a topic near and dear to my heart, technology and banking. This is a must-attend for anyone interested in Canadian innovation, so to learn more about membership and about upcoming events, visit us online at www.empireclub.org. You can also follow us on Twitter at @Empire_Club. Thank you all for joining us today. We really appreciated seeing you. Please, join us again soon and, ladies and gentlemen, this meeting is now adjourned. Ladies and gentlemen, please, rise for the Departure of the Governor General of Canada.

The Empire Club Presents

VICTOR G. DODIG
PRESIDENT & CEO, CIBC:

THE FUTURE OF BANKING: IMPORTANCE OF INNOVATION AND TECHNOLOGY

June 23, 2015

HEAD TABLE:

Distinguished Guest Speaker:

Mr. Victor Dodig, President & CEO, CIBC

Guests:

Ms. Jennifer Fagg, Executive Vice-President, Products and Payment, CIBC Retail and Business Banking, CIBC
Mr. Rob Livingston, Country Manager and President, Visa Canada
Dr. Gordon McIvor, Executive Director, National Executive Forum on Public Property; President-Elect, Empire Club of Canada
Mr. Bill Morneau, Executive Chair, Morneau Shepell
Mr. Todd Roberts, Senior Vice-President, Payment Innovation, CIBC
Mr. Jim Senko, Senior Vice President, Small Business and Emerging Markets, TELUS
Ms. Verity Sylvester, Division Lead, TEEMA Strategic Search, Past President, Empire Club of Canada
Ms. Andrea Wood, Senior Vice President, Legal Services, TELUS; President, Empire Club of Canada

Welcome Address by Andrea Wood, President, Empire Club of Canada

As you all know, the internet and digital technologies have transformed our economy and have disrupted the business models of a number of industries. The Canadian financial services sector is no exception. Emerging technologies are changing the way people bank and raising customers' expectations for better, faster and more user-friendly mobile solutions. At the same time, new entrants are challenging the traditional role that banks have played in the payment system.

Our speaker today will present his vision for the future of Canadian banking. He will describe how his bank is responding to the impact of new entrants, new technologies and changing client expectations. Victor Dodig is the President and Chief Executive Officer of the CIBC group of companies, one of North America's largest financial services institutions. He has served in that capacity and as a member of CIBC's Board of Directors since 2014. He is a past recipient of Canada's Top 40 Under 40™ Award and holds an MBA from Harvard University where he was a Baker Scholar.

After his remarks, Victor has agreed to take a few questions from the audience, so, please, as he speaks, take note of any questions you would like to ask. May I, please, ask you to extend a warm welcome to Mr. Victor Dodig.

Victor Dodig

Thank you, Andrea. Thank you so much for that kind introduction. Before I start, I would like to take a moment to thank the Empire Club and, particularly, Dr. Gordon McIvor for hosting us today. I would also like to thank our generous sponsors, who I was flanked by, VISA Canada and TELUS, also two great partners and two digital innovators without whom this talk would not have been possible.

I stand in front of you today, and you are all younger than I am, and you are all more savvy than I am, so I am completely intimidated. I would only be more intimidated if my four teenagers were here rolling their eyes as I went through this speech today, but they are not, thankfully, because they are more savvy and digitally-oriented than I am. I am going to hopefully present you with a vision of the future of banking and how CIBC plans to play a role in that.

I must confess, I have been engaging in some very non-digital activities. As I came in, I signed the book, the Empire Club book, and Andrea was kind enough to show me the history. The history of this volume went back to 1962. I went to 1965, the year that I was born, and on the person that spoke closest to my birthday was the late Queen Mother. How about that for history? I think, importantly, as you hear the speech today and some of my remarks, you will see that understanding our history and what we have accomplished gives us great confidence in what I think we can accomplish in the future.

Since becoming CEO of the Commerce, I have been reading from our four-volume, hard-copy edition of history as well. This is a version of it. This is Volume IV. It stopped in 1974, and this is the most technologically innovative version of our history. I have committed with my team that we are going to do 1975 through 2015 for 150th birthday. I am very much looking forward to that.

Reading this history, you recognize that technology has always played a role in banking and played an important role. Banks have been great innovators in that regard. If this speech was being made to the Empire Club in 1967—I will put the book down, because I feel like a preacher, hold that—I would have pulled a quote out from an early chronicler of our bank. The gentleman's name was Mr. C. F. E. Carpenter, three initials. He would have made a prescient—this is what he said, "It was now possible to imagine"—this is 1967—"not only a branch without the traditional ledgers, but also the computerized operation of the entire bank with many of the branches or, here, even the mind boggles"—which is what he said—"the computerization of all financial transactions throughout a country, a continent or the world." That is pretty prescient, pretty forward-looking for 50 years ago, and I think we have to take that into note as we think about the future.

What would we say today? I do not pretend to be an oracle on the future of financial services, but I would like to offer you a perspective on the future of banking as I see it and CIBC's role in that landscape. If you believed all the doom and gloom today about banking, you would believe that we are going to get wiped out. The Apples, the Googles and all of the emerging players in all the two valleys—whether it is the Silicon Valley or the Silicon Alley—are going to put us out of business, and I do not think that is the case at all.

While there is still a lot going on in the world banking these days, I cannot imagine a more exciting time to be in financial services, particularly, for CIBC, as we build a strong, innovative and relationship-oriented bank, all three factors, which are going to be critically important as we move forward to face up against the competition and the partners that we will be working with. The pace of change is unprecedented. Clients are adopting technology outside of banking and inside of banking at a very rapid clip. This uncertainty presents unique opportunities, and my team and I are going to embrace these opportunities as we go through these uncharted waters.

As we look at the developments in financial services, there are really three areas that we are spending time on, some more than others as technology emerges. The first is clearly payments where new entrants surface every day hoping to play their role in the financial ecosystem, whether that be Apple, Apple Pay, PayPal, Square or their Canadian equivalents that compete for a traditional role that banks play in the payment space. That is one area of focus.

The other area of focus is in the peer-to-peer lending area where firms like Lending Club and, certainly, some of the firms that are emerging in Canada today are playing an increasing role in redefining what lending is, particularly, in the unsecured space, where individuals lend to individuals without any traditional financial institution involved. Bloomberg says that this peer-to-peer market is going to grow to $77 billion this year, and that is a 15-fold increase from three years ago. Things are changing rapidly. Consumers are looking to refinance credit card debt and unsecured debt for perhaps a more cost-effective means of financing their payments.

The third area of focus is on blockchain technology. This is associated with creating a secure peer-to-peer version of electronic transfers without the involvement of an intermediary third party or banks, which are typically involved in these transactions. This blockchain technology uses digital assets, which can be anything from a currency, like bitcoin. It can play a role in securities settlement; it can play a role in settling mortgage deeds, and it uses a ledger in private keys to pass information along from one user to the next in a secure fashion. I think it is still at an early stage, but I do not think it is something that we can afford to ignore. We are not the only financial institution that are interested in these three trends. It is happening around the world, but, as I said to you at the outset, it is something that we have embraced from the very beginning. It is part of our heritage. It is part of our DNA.

When you look at CIBC's history, we have had a history of embracing technology. Here come the pictures. Pretty cool. In the 1950s and '60s, we were the first to launch a drive-through branch. We had a flying bank in Northern Canada to service the remote communities. In fact, I spent last week in Iqaluit, Whitehorse and Yellowknife where we have more branches than any of our competitors do. It is an important market to serve. We served it in the early '70s with an airplane. Today, you can serve it with a remote deposit cheque capture technology. We have a floating bank along the St. Lawrence River. CIBC was the first bank—and you only learn this through your history—to launch a cash dispenser in Canada in 1969 at Cloverdale Mall, for those of you in the west end. We are also the first bank to install PCs in the branch network in 1985. I was a teller at CIBC at that time when I was attending the University of Toronto and working part time on Thursdays, Fridays and Saturdays, and the terminals that were being installed were branded Olivetti. Does anybody remember that name? Still in business, but not doing PCs for bank branches any longer. Our tradition of embracing technology has continued in recent years. We were the first to launch telephone banking in Canada. We were the first to launch online banking. We were the first to launch a mobile brokerage app, the first to launch mobile banking, e-deposit cheque capture and, a little over a month ago, being able to bank on your

Apple Watch.

This morning, we also were the first bank to announce our participation in suretap, which is a new, mobile, open-digit wallet technology that allows clients to store multiple payment cards in a single app and pay with their phone at thousands of retailers across Canada. Thirty-five per cent of them—if you read the article in the *Globe* today—have the technology to accept payments under $100 using the suretap technology. It is a result of a joint effort between Bell, Rogers and TELUS. And, for us at CIBC, it reinforces our commitment to work with our clients to provide them banking on their terms—bank when you want, how you want, whichever device you want to use and making it easy, flexible and personalized.

Our commitment as a bank is to continue to embrace technology, and, as change accelerates, we will continue to embrace it as long as it makes sense for our clients and as long as it can be done so in a secure fashion. As I look forward, the key for our success in this very fluid environment is to focus on three key things: The first principle is that technology and innovation that meets clients' needs has to be embraced; it will win the day. The second—and some may say, "Well, that is juxtaposed; I do not know how that works"—is that relationships matter now more than ever. The third is the strength trumps size, but size is important. People, when they are dealing with their money, want safety and security. Those three elements together are what will define CIBC and, I am sure, some of our fellow competitors as we go into the future. I am going to talk about each of those three in this speech.

Let us focus on the first one, technology and innovation. The digital revolution is changing all of our behaviours. I mean, we see it in the non-bank space; we see what has happened with Netflix. We have got over one million Canadian users. Uber has become a regular term that we use in our house. Airbnb—they have all redefined, reshaped and in some instances are ravaging their particular sectors. We see the same thing in electronic and mobile commerce. If you look at the rate of growth in mobile commerce this year, it is $14.1 billion is the forecast for 2017. The growth rate last year was 40% alone. The growth rate in mobile payments is something to focus on. Millennials, all of whom use technology—one quarter of them are doing their shopping using their tablets or their smartphones.

It is funny: Things are changing so quickly. As a parent, I watch my kids, and see what they are doing. They teach me about the things that I do not know about. One of my friends came up to me and said, “You know what? We’ve got such a gap between the generations, that my 18-year-old doesn’t know how to mail a letter.” I think that is true. If you have got a 15-, 16-, 17-year-old kid at home, ask them if they know how to address a letter and buy stamps. They are always on email or texting.

This focus on technology and innovation is being driven by our clients. Their needs are changing. They are expecting a couple of things from us as a bank. They are expecting their banking to be technologically oriented incorporated in their technologically adept lives. They will only accept it if it is seamless, if it is easy to use. If it is cumbersome, if it is difficult, they will not accept it. It is my firm belief that they will only accept it if there is real people at the other end that can help them, whether it be some of the students that we have heard this summer to be digital champions to help our clients migrate from paper to the technology in the branch or whether it is somebody at the other end of the phone that they can speak to. People and the role of people in banking will not be disintermediated fully by technology.

Similarly, when it comes to people, we have to change the way we work at CIBC, and we are doing that. We have to be more agile. We have to have a culture that focus outwards. We have to have a culture that embraces technological developments instead of saying, “No, we don’t do it that way.” I take great comfort in our history because one very strong part of our DNA is that embracement of technology and recognition that there are new competitors on the horizon, that we need to get our smartest people to work on these biggest challenges in a unique environment. You need to be nimble and quick, and you need to recognize that you cannot do it all alone. You cannot say, “I’m the big bank; we can solve this.” You need to reach out to partners who have some of these new technologies that are relevant to our clients.

We did that with our Tim Horton's Double Double card. Dynamics, a young upstart firm, had a two-button technology that allowed clients to use one button for credit with their Tim Horton's Double Double VISA card for any purchases, and the other button was used for Tim's points. Now, the unique thing about this technology is you did not need two cards. You have the loyalty card and the credit card all in one. It is a patented technology. It has other uses. We have 100,000 clients, and the best thing about the card, I think, aside from other fact that it is really cool, is it provides immediate gratification. You can buy a few things, and you can get a Tim's coffee quite quickly, which is not always the case with rewards cards.

Our partnership with MaRS is another example of innovation, moving our Smart Minds to a different campus surrounded by other Smart Minds working on unique technologies, both within banking and outside banking. Candidly, what happened with the Apple Watch is from start to finish, it took us seven weeks to launch the app. It was launched by co-op students and other young developers, supervised by adults. I do not want to give you any impression that they were running amok, but they were working on this watch based on a proof of concept of what they thought clients would want, without having the full Apple spec with them. And they designed it remotely. They got to spend some time with the team in Cupertino, and we were the first to launch that smart Apple Watch technology. It is because we acted like bank and like a startup. I do not want to give anybody the impression that we are acting like a startup. We are a bank. We are there to safeguard the deposits and investment of our clients, to make smart loans to our clients to help them grow their families and grow their businesses, but we acted like a bank, and we acted like a technology company. And I think that is important as we go forward.

As you look at all of this, what are our clients doing? How are they behaving? Are they changing what they do? They certainly are. We launched e-deposit cheque capture in the fall of 2013, and, since then, 4.3 million cheques have been deposited. Now, that is a small portion of the overall cheques that are being deposited, but we know that there are some clients that only bank that way. We understand that. As they get more and more comfortable that when they take a picture of their cheque, the money will be there, they will get comfortable with it. As they get more and more comfortable with the fact that you cannot take the picture of the cheque twice and deposit it twice, they will get more comfortable with it.

It is interesting. I talked to my 17-year-old, Thomas, yesterday. He was working at the Blue Jays sort of selling popcorn and soda in Section 500, and he got his two cheques. He had to go pick them up at Gate 3, which I thought was kind of archaic, and I said, "So, what are you going to do with them? Why don't you take a picture?" He goes, "I don't do that." I said, "Okay, why not?" I said, "Why don't you go to the ATM?" I am not kidding you, last night. "I don't do that." I said, "What do you do?" He goes, "I go get my cheque stamped, so I can see the money's in the bank." Interesting.

Behaviours will take some time to change, but we will have to have that technology in place because people will embrace it over time. The biggest change has been this: Not the iPhone, but the use of mobile technology to bank. We now have 30 million log-ins a month. It grew by 36% since the last year. We only have 4 million branch visits a month. This has been the channel of choice. It is actually surpassed the computer. Now, we also know that 80% of our transactions are conducted outside the branch. We have looked at the last 20%, and that is going to increase over time. Clients are changing their behaviour in personal and business banking.

The same thing is happening in our wholesale bank. We were the first to launch electronic trading platform amongst the big banks in Canada. We are a leader in the equity capital markets business. We have seen significant growth in our FX business over the past number of years because the team had made a strategic decision to invest in technology and allow our corporate commercial and pension clients direct access to FX trading at a very competitive rate in a very real time. The same things happen with our derivatives capability, where we have seen our business grow because of the technology investments that we have made. And I am very proud of the fact that we are chosen the best derivatives bank in Canada by *GlobalCapital Magazine*. Clients are changing their behaviour. We are enabling them, and technology is ignored at our peril. We are embracing it and we are working with our clients to make banking easier and more flexible.

That brings me to my second point. People will say, "Well, you're being disintermediated. Someone has stepped between you and the client." I think, in some instances, there will be disintermediation on the purely transactional account, but, in my experience in banking, retail banking and wealth management and, I know, in our wholesale bank, relationships matter, and they matter now more than ever.

Our clients want to know that there is a person at the other end of the transaction who knows who they are and who has the right information for them if they have a question to ask or if they need a need settled. Yes, routine banking can be done quickly and easily using technology, but they want to know a live person is there.

Since becoming CEO, I have met with over 150 CEOs of other companies to understand what their needs are, and I can tell you, as far as my eye can see, technology is not going to step in between us and them in terms of us satisfying the relationship that we have together, the relationship that is there to help their businesses grow.

Now, people ask me, "Well, what about the branch?" The branch is certainly going to change. Technology is going to make the branch obsolete, and, here, again, I would say there is nothing further from the truth. We know that everybody uses the branch almost once a year, even the very young people—under 18 maybe a little less. But as their needs become more sophisticated, they will be there. The branch will change. The branch will be there, but the nature of what is done inside the branch will change. It will move from transactions to relationship-building to personalized and thoughtful financial advice. I think that will hold true as the Boomers hand over their wealth to the Millennials. There may be room for the robo advisors, but, when it comes to your complicated affairs, particularly, when there is more money involved, a person can provide that advice because they can understand the emotive aspects of what you are dealing with in addition to the transactional aspects. The branch will pay a particularly important role even in its current form over the next ten years. Why do I say that? Well, we are building a bridge to the future when it comes to branch banking. The complexity of building this bridge is we are trying to satisfy the Millennials, who do not see the branch that often, who are more interested in unique technology, and the traditionalists, who want to walk into the branch every week.

I do not want to pick on my mother because I love her dearly, but I have to in this instance. She came to this country from Croatia in 1964. She has become a very proud Canadian, but she is stubborn when it comes to her banking. She will not go to an ATM. She will not pay her bills online, and she will not download our latest app. I am not kidding you: On a Saturday, she said— my dad is not well—"Can you drive me to the branch? People would like to see you." I said, "Mom, I'm not going there; you're going to embarrass me." I sound like my teenage daughter. "Why are you going to embarrass me? Because, you're going to wait in line with your passbook and your bills, and we could have actually alleviated the lineup and done that at home." Does not trust it yet. She will at some point in time. Funny thing is she came out of the branch, and she said the lineup was so long. I said, "Mom, you're part of the problem." Anyway, it takes a long time to convince your mother.

Then, another story—this just gives you an idea of how complex it is in terms of building this bridge to the future: A gentlemen who runs our executive floor—he has been with our bank for 35 years—comes up to me before the Christmas holidays and says, "Victor, we have a problem at one of our branches." I said, "What's the problem, Nick?" He said, "The clients are up in arms." I said, "Why?" He said, "We installed a new ATM." I said, "Yeah." He said, "It has no paper." I said, "Good." He goes, "It has no envelopes." I said, "Good, Nick." He's, "They don't like depositing their cheques with no envelopes." I said, "But that's the way of the future." He said, "But, they don't like it." He said, "They really don't like the fact that you can't print your passbook inside the ATM" because they are trying to move away from the passbook. Who has a passbook in this room? Anyone care to admit it? You probably all do. It gives you a sense of the challenge, because the clients that lean traditionally are the clients that have the deposits. They are the clients who have established those relationships that cannot simply be unplugged, and yet we have to build this bridge to the future.

The challenge in the branch banking channel is going to affect everybody. It is affecting our team because they need to get used to these new technologies, and yet they need to build those relationships to encourage those who are traditionalists to move to the new technologies that are highly reluctant. We try to encourage them to do that. It is difficult because you are dealing with emotion. You are dealing with people and their feelings and their way of doing things.

It is challenging for our clients. We try and be as seamless as possible. We try and be as high-touch as possible, but as they transact through different channels, the challenge of making sure that we understand how they are transacting and the nature of their relationship is going to be incredibly important, and how we manage that data capital to strengthen that relationship is going to be critical for us, and it is going to be a challenge for shareholders because they want to see positive operating leverage, which is completely understandable.

So our goal as a leadership team at CIBC is to be able to manage our traditional expenses in a finer way and redeploy some of that money in an accelerated fashion in the new technology. So our branch network will change, but it will be there. If you want to see what it looks like in the future, go to Whistler, for those of you that like to ski. It is the most modern. It has no teller tickets. If you want to see a right-sized branch for the future, go to Avenue Road and Eglinton or Queen and Sudbury. Even if you work at the other banks, you should go there, anyway. Maybe you can open an account! We welcome all business, but we are going to be there to meet our clients' needs irrespective of how things are changing, and the branch network will be there as well.

The third point I want to stress: I said at the beginning a key ingredient of success going forward is that strength trumps size, but size is important. I think you see what is happening in the world of banking today. Things are changing dramatically in terms of what is most important, size or agility, technology, relationships. I can tell you this, that in the new regulatory environment, the global banking model is being challenged. Now, we face new regulations on a regular basis, whether they come through the Basel III Accord to some of the domestic regulatory change that we are seeing here, all in the interest of making banks safe and sound.

If you look at our country's Bank Act, its focus is on maintaining safety and stability. It has served us well both here, and it has served us well reputationally in the international arena. In fact, the Bank Act talks about us as being deposit-taking institutions and not technology companies, which is why I said at the beginning we need to be a bank, and we need to be a technology company.

In my view, the operational complexity of operating globally is challenging. There are not evident economies of scale, particularly, in the personal and commercial banking space, and I see some of the numerical challenges that global competitors are facing today. You see ROEs of large, well-known global banks that have ROEs in the 4–8% range. Ours is in the 20 range. Anything above 10 or 11, according to my finance class, is where you are increasing shareholder value—anything below that, you are not. Part of that challenge comes from a large global model without a distinct focus.

I look forward and say what does strength look like in the new environment? I think it has a couple of key areas. One is the strong regional focus that I talked about. We are going to be strong and regional. Our home base is Canada. We have an operation in the Caribbean, and we have offices in other parts of the globe, but our heart will be here, and we will grow into the US where our clients are increasingly doing business on a north-south basis. When it comes to transacting globally, we are going to rely more on partnering with like-minded organizations to help our clients access those global markets and financial transactions.

I think the second thing that banks need to increasingly focus on is stable, high-quality deposits to fund quality assets versus a growing reliance on wholesale funding. I think that is what the global banks now will be challenged with. How will they sell those assets to reduce their reliance on global funding when it is not evident that they are ready buyers there, at least at the price that they are thinking they can transact at?

I think a bank of the future is going to be smart and relentless when it comes to focusing on costs. It will not be just throw money at it; it will be much more of a focus on cost IQ—intelligent decisions and tradeoffs. I know we are very much involved with that at CIBC today because our shareholders want positive operating leverage. Is that too much to ask? I do not think so. Over the medium term, we will deliver that, so we have shareholder value, but that cost IQ is going to be a valued organizational trait in financial services.

The final thing and, importantly, very importantly, is just strength from a cyber security and data capital perspective. Banks have always become the stewards of shareholder capital since their inception. There are always shareholders involved, and it was all about returning capital to shareholders in the form of increasing share prices or dividend growth. Now, we also are entrusted with our clients when it comes to data capital. We are the stewards of that data, along with our clients. And here, the industry needs to work together. All banks, all financial institutions, all wealth managers and our three levels of government need to work together to make sure that Canada, our country, is seen as a safe and secure place in which to transact digitally, where client data is always protected. That is going to be critical, and I know that we are working in a very cooperative fashion to ensure that safety and security because I also know, at the same time, that there are those who are trying to disrupt us in a very negative fashion to the detriment of the country and the industry, but we will prevail in that regard.

Let me just go back to CIBC for one more moment. I have got nine seconds left. You are going to have to give me a minute and nine seconds. We are going to embrace these changes. We are now in the midst of reinventing our bank from top to bottom by making sure that we can evolve from the traditional bank to the bank of the future. This challenge was presented to us 150 years ago when those who pioneered banking in this country, including those who pioneered banking at our bank, which was started 148 years ago, saw this as a big challenge, but saw this as a big opportunity, and there was no turning back.

My trip last week to the Great North of our country not only made me feel more Canadian, but it also made me recognize that there were pioneers out there very early on who were asked by the government to follow clients and prospective clients to help finance them during the gold rush. In some ways, we are going through that again, all over again, pioneering in the space of technology. We will embrace this opportunity because, like 150 years ago, I do not think there is any turning back. We are going to focus on technology; we are going to focus on our client relationships because they are incredibly important to us; and we are going to focus on making sure that we are strong, safe and stable. But, in the end, the most important thing is what our tagline now says: We have gone from "For what matters" to "Banking that fits your life."

It is an exciting time to be the captain of the CIBC team. This is a team effort as we go to build a strong, innovative and relationship-oriented bank. I would like to thank my team, those of you who are present today and those of you who make all of this happen, because it does not happen with the waving of a magic want. A lot of smart people are working on this. I would also like to thank our clients because we would not exist without our clients. If you are not a client and you would like to open an account, I will be outside. I am serious. I wanted to thank the Empire Club for the opportunity. Thank you very much.

Questions & Answers

Q: Victor, where do you see bitcoin fitting into the Canadian banking system?

VD: I see the underlying technology of what blockchain is meant to do. I read the whitepaper from the founder of that technology. There is a lot of logic to what underpins it. A bitcoin is an electronic currency. I think the technology can wrap itself around a currency. I think it can wrap itself around a contract. So, I think it can play a role. The saving of the data, in terms of the chain that is involved, I have read some on that technology as well, as well as our team has. I think there is a lot to be understood there in terms of its ability to have scale in financial services. It is not clear to me that it is more foolproof from outside of tax than any other system we have today. That is the way I see it. It is very early. It is very emerging. I applaud what the City of London has done with their Level 39 kind of initiative where you have got financial institutions coming together to understand that technology and its relevance to the financial system. It is, Steve, as I said, one of the three areas we are focused on.

Q: In this highly complex world, how do you tell the difference between a competitor and a partner?

VD: I grew up in the financial services business where I always thought about there is room to work together as long as the value proposition becomes enhanced to the clients. I mean, I think in the early example of that in banking is where we all of a sudden allowed non-bank fund companies to play a role in our channels, right, because our view was it is better for our clients to have choice; it is better for our clients not to "simply get home cooking, but get best of breed." I think that holds true for technology as well. We would not be able to do the suretap technology without working with partners. Some may say, well, the telcos will become banks. Well, my answer to that is fine; we can compete, but, in some instances, we are going to have to find ways to cooperate because we do need to deliver together for our clients what they are looking for because we do it better that way economically than doing it separately. It is kind of "coopetition" of you can call it that.

Q: Is the government and the regulators keeping pace with the amount of change that is going on?

VD: Is the government or our governments and our regulators keeping pace with the amount of change that is going on? I think they are. I am sure all of you read the article in the *Globe* this Saturday around regulation when it comes to peer-to-peer lending—are they securities companies, or are they banks? I mean, everyone is trying to do their very best to keep up with the pace. I would say that one of the things that we are all holding true to is the safety, security and stability of the system, which are more important than the pace of change. That does not mean the pace of change will be slow; it just means that the stable, secure system is, I think, something that all Canadians have come to value, and it is something that is at the forefront of anything we discuss as an industry with our regulators and with our governments.

Q: **What do you see as the key talent gaps of your environment is changing and maybe inside the bank and inside the sector?**

VD: Well, I mean, the increasing demands, I have seen on Kevin Patterson, Head of Technology Operations; I have seen Dave Revell; I have seen some of our CIBC folks who work on that. It is challenging. It is challenging in a number of ways. One is demand is outstripping supply. I think that is where I think there will be a generational adjustment in terms of education. If you look at, for example, some of the mobile apps that we have been working on, when I went to visit the team there, a lot of the kids had diplomas from Sheraton and Humber, so they can hit the ground running and deliver the clients what they want and not necessarily have a general degree. That specific knowledge is going to be incredibly important, and I think our education system has to kind of address that to address the supply and demand gap.

The other thing is I think you have to make it interesting to keep young people here. They are not really interested in a defined benefit plan because they do not even know what that is, right? They want interesting projects. They want interesting environments. And as I said in my speech, attracting the best and the brightest means putting them in a different environment; giving them an accelerated timeline making sure the funding is there; making sure they can see the funding is there further out—that it does not dry up, so that they can enhance their career and their skillset going forward. An incredibly good question. Big challenge. Thank you everyone.

Note of Appreciation by Rob Livingston, Country Manager and President, Visa Canada

Thank you very much. I am representing VISA Canada and, as a company, we are thrilled to be here today to support Victor and the entire team at CIBC in this honour of speaking to the Empire Club of Canada. As a global technology company, we have the pleasure of working with banks all around the world, and CIBC really stands out not just for getting technology, but actually seeing where it is going around the corner. In Canada—and even on a global basis—CIBC on a regular basis is pioneering new businesses and new models with VISA. Thank you once again for speaking to us. It was a pleasure. Please, join me once again in thanking Victor.

Concluding Remarks by the Andrea Wood

Please, indulge me. I would like to take a moment before you all head off on your way to reflect on the past year that we have had and, in particular, to thank a couple of people who have contributed enormously to our success this year. We have had a great season. We started the season, and we are ending our season with bank CEOs. We had Ed Clark, who chose us as his podium to deliver his retirement address. And, today, Victor, we are very honoured to have you in what I believe is your first public address. Thank you for giving us the honour.

We had technology titans: We had Eric Schmidt at the beginning of the season—you all know the Executive Chairman of Google. We had Jim Balsillie. We have had incredible speakers. We hosted a debate among the mayoral candidates and then we hosted the successful mayor. We have had politicians, business leaders and, just last week, the Governor General of Canada. Powering that success was a formidable Speakers Committee led by my Co-Director and our President Elect, Gordon McIvor. Gordon, would you, please, join me at the podium. Gordon, thank you. Gordon has been an incredible source of support to me all year, and I want to say thank you very much for everything you have done this year. Thank you.

Gordon and I also wanted to thank two people. There you are, Jehan and Taylor, please, join us on the stage. Jehan

Karsan is Managing Director of the Club, and Taylor Reid is the Club's Event Manager. Jehan and Taylor are the people who actually make these lunches run and make them run very smoothly, indeed. They organize the venues; they arrange the AV support; they do all of the marketing and promotion and ticket sales for the events. They are *absolutely* the best in the business, and they make our jobs easy. Jehan and Taylor, thank you for all of your support this year and for being the engines that make the Club work. Thanks Gordon.

Before we leave today, I would like to take a moment to thank the generous sponsors of today's lunch: Thank you to VISA and thanks to my colleagues at TELUS. I would also like to thank Centennial College for providing the volunteers who help us with each lunch and the National Post as our print media sponsor. This meeting will be broadcast on Rogers TV.

To learn more about membership and about upcoming events, visit us online at www.empireclub.org. You can also follow us on Twitter at @Empire_Club. Thank you all for joining us today. We are already hard at work on a great lineup for next year and hope to see you next season. This meeting is now adjourned. Thank you very much.